

**R00A02**  
**Aid to Education**  
Maryland State Department of Education

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$5,595,815	\$5,435,081	\$5,752,375	\$317,294	5.8%
<b>Adjusted General Fund</b>	<b>\$5,595,815</b>	<b>\$5,435,081</b>	<b>\$5,752,375</b>	<b>\$317,294</b>	<b>5.8%</b>
Special Fund	110,317	439,768	357,939	-81,829	-18.6%
<b>Adjusted Special Fund</b>	<b>\$110,317</b>	<b>\$439,768</b>	<b>\$357,939</b>	<b>-\$81,829</b>	<b>-18.6%</b>
Federal Fund	756,741	790,574	746,342	-44,232	-5.6%
<b>Adjusted Federal Fund</b>	<b>\$756,741</b>	<b>\$790,574</b>	<b>\$746,342</b>	<b>-\$44,232</b>	<b>-5.6%</b>
Reimbursable Fund	0	175	120	-55	-31.4%
<b>Adjusted Reimbursable Fund</b>	<b>\$0</b>	<b>\$175</b>	<b>\$120</b>	<b>-\$55</b>	<b>-31.4%</b>
<b>Adjusted Grand Total</b>	<b>\$6,462,874</b>	<b>\$6,665,598</b>	<b>\$6,856,777</b>	<b>\$191,179</b>	<b>2.9%</b>

- Proposed fiscal 2013 deficiency appropriations total \$13.2 million. A \$311,650 general fund deficiency is proposed to provide funds to cover State Retirement Agency administration fees for local libraries that were not included in the fiscal 2013 allowance. A \$12.9 million general fund deficiency is proposed to provide funds to cover unreimbursed federal funds for Temporary Assistance for Needy Families eligible expenses incurred in fiscal 2002 and 2003.
- The fiscal 2014 allowance is \$191.2 million above the fiscal 2013 working appropriation, considering all funds. General funds increase \$317.3 million, or 5.8%, partly due to the replacement of \$136.1 million of fiscal 2013 Budget Restoration Funds, created by Chapter 1 of the First Special Session of 2012, with general funds. After accounting for this, general funds increase \$181.2 million, or 3.3%

Note: Numbers may not sum to total due to rounding.

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## *Analysis in Brief*

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### **Major Trends**

***Maryland State Department of Education Introduces School Progress Index:*** The Maryland School Progress Index (SPI) sets individual targets for each school, local education agency (LEA), and the State to cut in half, over the next six years, the percentage of children that fail to reach proficiency on State tests. The 2011-2012 school year marks the first year for which SPI data is available. Thirteen counties had a SPI below 1.0, indicating that the LEAs did not adequately make progress toward their goals. Of the State's 24 LEAs, 11 attained an SPI of 1.0 or better. **The State Superintendent should comment on the distribution of schools within the performance strands at the elementary, middle, and high school levels.**

***Maryland School Assessment Reading Scores Level, Math Scores Continue to Increase:*** Reading scores have been relatively stable since the 2008-2009 school year. Math scores increased for grades 3, 5, and 8.

***High School Assessment Percent Passing Decreases for Government; Remains Level for Algebra, Biology; Increases for English:*** The percent passing the Government High School Assessment (HSA) decreased in the 2011-2012 school year to 87.9 from 89.8%, while the percent passing the Algebra/data analysis and biology HSAs remained level at 87.9 and 84.9%, respectively. The percent passing the English HSA increased slightly in the 2011-2012 school year to 86.4% from 85.2% in the 2010-2011 school year. **The State Superintendent should comment on the 2011-2012 school year decline in the percentage passing the Government HSA, and on the timeline for replacing the HSAs with Partnership for Assessment of Readiness for College and Career assessments.**

***Statewide Graduation Rate Increases:*** The statewide graduation rate for the 2012 four-year cohort rose to 83.6% from 82.8% in the 2011 cohort. Maryland began calculating this new cohort graduation rate in 2010 per federal and State requirements. The traditional Leaver graduation rate is higher and also increased for the 2010-2012 school year to 87.3%.

### **Issues**

***State Aid for Education Increases in Fiscal 2014:*** State aid for primary and secondary education increases by \$230.8 million in fiscal 2014 to a total of \$6 billion. Despite the recent enactment of laws constraining State costs for teachers' pensions, retirement costs make up more than 40.0% of the increase in aid, at \$97.5 million, while aid provided directly to local school boards increases by 2.6%, or \$133.8 million. The Governor's fiscal 2014 allowance includes \$8.3 million to alter the calculation of net taxable income (NTI), contingent on the enactment of legislation authorizing the change. These funds would phase in increased appropriations for the LEAs that would receive larger appropriations over five years, while holding other LEAs harmless. **The State Superintendent should comment on the proposed NTI change and whether calculating wealth-based formulas twice using different NTI data in perpetuity may lead to errors in calculations.**

***Maryland Receives Elementary and Secondary Education Act Flexibility Waiver:*** In May 2012, Maryland received an Elementary and Secondary Education Act (ESEA) flexibility waiver, allowing the State to replace the No Child Left Behind Act (NCLB) performance measures with the Maryland SPI. This new accountability system measures school progress in improving student achievement, closing achievement gaps, and moving students toward college and career readiness. Under the waiver, new performance targets are set for each school to reduce student achievement gaps for student subgroups and for all students by 50% by 2017. **The State Superintendent should discuss how progress on annual targets will be assessed once the State implements the Partnership for Assessment of Readiness for College and Careers assessments in the 2014-2015 school year, mid-way through the six-year time period over which schools are to achieve a 50% reduction in nonproficiency among all students and student subgroups.**

***Race to the Top and Flexibility Waiver Targets Educator Evaluation Reforms:*** During the 2011-2012 school year, seven local school systems (Baltimore City and Baltimore, Charles, Kent, Prince George's, Queen Anne's, and St. Mary's counties) piloted new teacher and principal evaluation systems. In its year two Race to the Top performance report, the U.S. Department of Education critiqued Maryland State Department of Education's (MSDE) handling of the 2011-2012 educator evaluation pilot, noting that the State only received anecdotal feedback on its implementation and was not able to conduct an adequate outcomes assessment as a result of variability in LEA pilot activities. Because Maryland's ESEA flexibility waiver includes teacher and principal evaluations among the identified reforms, all LEAs must participate in the revised evaluation scheme. All LEAs were required to identify an evaluation model or default to the State model by December 26, 2012, though the proposed models of nine LEAs were rejected for failure to comply with evaluation regulation. **The State Superintendent should discuss the steps MSDE has taken to ensure that strong guidance and support is provided to the LEAs during the 2012-2013 statewide educator evaluation field test and that feedback is provided to the LEAs to facilitate mid-course correction during the 2013-2014 school year. The State Superintendent should also discuss how the nine rejected evaluation system proposals failed to comply with evaluation regulation and how MSDE will partner with these school systems to ensure that they submit evaluation systems that comply with State regulation for the May deadline.**

***Teacher Quality Incentive Costs Mount:*** Stipends for eligible classroom teachers were established in 1999 to attract and retain quality teachers in Maryland public schools. Teachers and other non-administrative school-based employees in schools identified as having comprehensive needs and who hold National Board Certification, receive a stipend from the State equal to the county grant up to \$2,000, while those in non-comprehensive needs schools, receive stipends equal to the county grant up to \$1,000. In addition, teachers in comprehensive needs schools holding an Advanced Professional Certificate are entitled to \$1,500 stipends. The number of teachers receiving funds through the program has risen dramatically in recent years, as the number of schools identified as having comprehensive needs under NCLB increased. Though the fiscal 2013 allowance includes \$5.2 million for the program, the Department of Budget and Management reports that it has identified approximately \$7.0 million in unexpended general funds in the Nonpublic Placement and Out-of-county Living Arrangements programs that may be directed to the Quality Teacher Incentive Program to cover a program deficiency. **The State Superintendent should discuss expenditure trends in the Teacher Quality Incentive Program and comment on whether research finds such**

**programs to be effective in attracting and retaining teachers to underperforming and underresourced schools.**

***Maintenance of Effort Law Revised:*** Chapter 6 of 2012 made significant changes to the State’s nearly 30-year-old maintenance of effort (MOE) law, which requires Baltimore City and the 23 counties to maintain funding for their local school boards from one fiscal year to the next. Chapter 6 holds counties accountable for meeting minimum school funding levels, while also enabling some counties to realize additional flexibility by applying to the State Board of Education for a broader one-year MOE waiver or two new types of MOE waivers now available under the law. The initial year following enactment of Chapter 6 saw no counties follow through on waiver requests. All counties met the minimum school funding levels in fiscal 2013. **The State Superintendent should comment on the impact the MOE law is having on local support for education.**

## **Recommended Actions**

	<u><b>Funds</b></u>
1. Add language requiring the Maryland State Department of Education to notify the budget committees of fund transfers from R00A02 Aid to Education to any other budgetary unit.	
2. Add language restricting funds until a report is submitted on the Early College Innovation Fund.	
3. Reduce funds for the Digital Learning Innovation Fund.	\$ 4,000,000
4. Add language restricting funds until a report is submitted on the Digital Learning Innovation Fund.	
5. Add language to restrict funds in the Maryland Meals for Achievement Program to be distributed based on Free and Reduced Price Meals enrollment.	
6. Reduce funds for base student transportation grant to set inflation at 0%.	2,280,649
7. Add language restricting funds for National Board Certification fees contingent on the enactment of legislation.	
<b>Total Reductions</b>	<b>\$ 6,280,649</b>

## **Updates**

***Report Recommends Against Establishing Baltimore County School Transfer Pilot:*** The 2012 *Joint Chairmen's Report* requested that MSDE and Baltimore County Public Schools (BCPS) study the feasibility of establishing a school transfer pilot program in BCPS. Existing BCPS policy allows a parent to request special permission to transfer a student in nine circumstances. The report finds no other local jurisdictions that offer unconditional school choice, though a number of larger Maryland school systems have transfer policies similar to BCPS's. The report finds that due to sudden unplanned school capacity pressures, required local funding increases, and additional workloads possible as a result of the redistribution of children through a school choice process, establishing a school transfer pilot program is not recommended.

***R00A02 – MSDE – Aid to Education***

**R00A02**  
**Aid to Education**  
**Maryland State Department of Education**

## ***Operating Budget Analysis***

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### **Program Description**

State and local governments share responsibility for Maryland's public schools. In 2002, the State's Commission on Education Finance, Equity, and Excellence (a.k.a. the Thornton Commission) recommended, and the legislature approved, altering and enhancing the distribution of State aid to education. The new distribution system was phased in from fiscal 2003 through 2008. Since fiscal 2009, funding adjustments have been determined primarily by changes in enrollment.

Under the Bridge to Excellence (BTE) in Public Schools Act of 2002, commonly referred to as "Thornton," school systems receive a basic per pupil funding amount through the foundation program. Additional formulas provide supplemental aid based on students with special needs including students with disabilities, students eligible for free and reduced price meals (FRPM), and students with limited English proficiency (LEP). The Geographic Cost of Education Index (GCEI) is a discretionary formula and is meant to account for differences in the costs of educational resources among school systems. State aid for student transportation also increased under Thornton.

Along with enhanced funding, local jurisdictions received broad flexibility in determining how to meet State goals for student achievement. At the same time, each school system is held accountable for achieving the goals and student outcome measurements outlined in its Comprehensive Master Plan, which is updated annually.

In addition to funding for public education, the Maryland State Department of Education (MSDE) is responsible for the general direction and control of library development in Maryland. The State provides support for local libraries, the State Library Resource Center, and several regional resource centers. State library aid is budgeted under Aid to Education.

### **Performance Analysis: Managing for Results**

#### **1. Maryland State Department of Education Introduces School Progress Index**

The federal No Child Left Behind Act (NCLB) was enacted in 2001 and requires states to develop an accountability framework in which every child is tested in reading and math in grades 3 through 8 and again in math, English, and science in high school. The NCLB establishes a goal of having 100% of students reach proficiency in reading and mathematics by the 2013-2014 school year. Each state determines its own proficiency standards and what represents a passing score on assessment exams. The Maryland School Assessments (MSA) are used to measure the performance

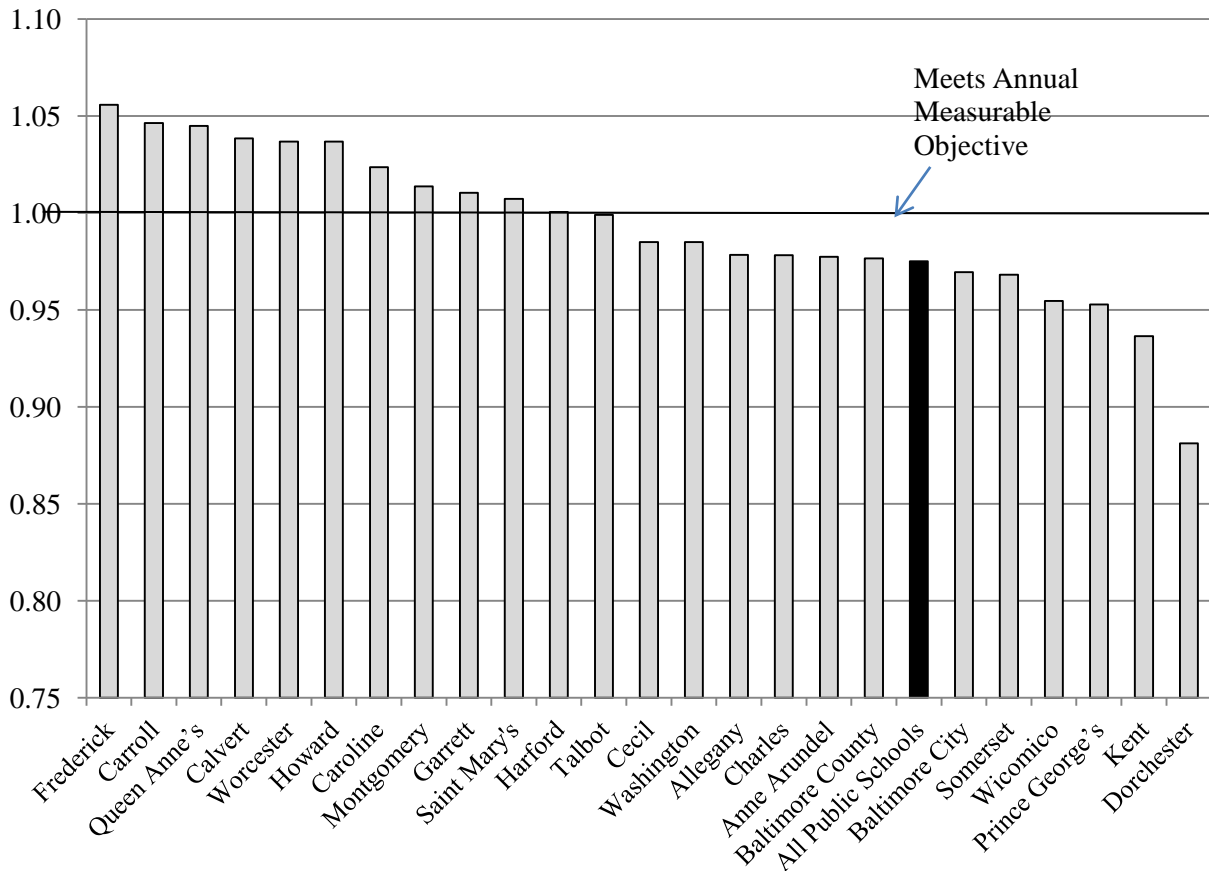
of students in grades 3 through 8, and the High School Assessments (HSA) are used for high school students. Combining scores on the MSAs with attendance rates and scores on the HSAs with high school graduation rates determined whether each school, school system, and the State as a whole made adequate yearly progress (AYP) toward 100% proficiency. Students must be assessed annually in grades 3 through 8 and again in high school. Performance data must be disaggregated into ten subgroups of students: African American; American Indian; Asian; Hawaiian/Pacific Islander; Hispanic; White; two or more races; special education; FRPM students; and LEP students.

In the absence of congressional reauthorization of the federal Elementary and Secondary Education Act (ESEA) (also known as NCLB), the U.S. Department of Education (USDE) offered an opportunity for states to apply for ESEA flexibility. To receive a waiver, states had to submit a request addressing four principles to increase the quality of instruction for students and improve student academic achievement. Upon approval, the state would receive a waiver of 10 ESEA requirements, most notably, the removal of the AYP and the 2013-2014 timeline for achieving 100% proficiency; removal of school and district improvement requirements including supplemental education services, choice, corrective action, and restructuring; and removal of improvement plan requirements and Title I and Title II fund restrictions for districts that miss Highly Qualified Teacher requirements.

MSDE was granted an ESEA flexibility waiver in May 2012. As a result, NCLB sanctions known as the school improvement process and the AYP are no longer part of Maryland's accountability system. Maryland re-designed its accountability system to focus on the progress that schools are making toward improving student achievement, closing achievement gaps, and enabling students to move toward readiness for college and career. New performance targets have been set for each school to cut in half, over the next six years, the percentage of students who fail to reach proficiency on State tests. Targets, also known as Annual Measurable Objectives, have been set so that by 2017, each school reduces its percent of nonproficient students in each subgroup and for all students by 50%. Progress on these indicators, as compared to a school's 2011 baseline performance, are combined to generate a School Progress Index (SPI). The SPI is an estimate of the extent to which the school has met its targets. A school on target to progress as expected will achieve an SPI score of 1.0 or better. **Exhibit 1** shows each local education agency's (LEA) School Progress Index for the 2011-2012 school year. Frederick had the highest SPI, reaching 1.06, indicating that the LEA is progressing in improving student achievement as expected. Dorchester had the lowest SPI (0.88) indicating that the LEA, and 12 other LEAs with an SPI below 1.0, did not adequately make progress toward its goals. Of the State's 24 LEAs, 11 attained an SPI of 1.0 or better.



**Exhibit 1**  
**LEA School Progress Index**  
**School Year 2011-2012**

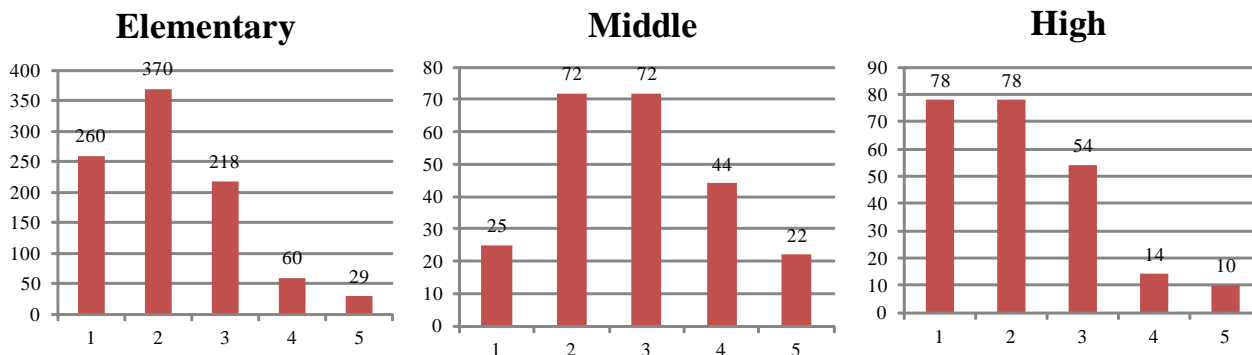


LEA: local education agency

Source: *The Maryland Report Card*, Maryland State Department of Education

Based on SPI performance, schools are organized into five strands for support, intervention, and recognition. To be placed in strand 1 (the highest category), schools must attain an SPI of 1.0 and have met the school target in all performance measures that contribute to the SPI. Schools that attain an SPI of at least 0.9 are categorized into strands 2 to 4 based on the number of individual performance measures for which the target was met. Schools in strand 5 received an SPI of less than 0.9. **Exhibit 2** shows the number of schools placed into each strand based on the 2012 SPI. Maryland's ESEA flexibility waiver is further discussed in the Issues section. **The State Superintendent should comment on the distribution of schools within the performance strands at the elementary, middle, and high school levels.**

**Exhibit 2**  
**SPI Strands 2011-2012 School Year**



SPI: School Progress Index

Source: Maryland State Department of Education

## 2. Maryland School Assessment Reading Scores Level, Math Scores Continue to Increase

MSAs measure student achievement in grades 3 through 8. **Exhibit 3** shows the MSA percent proficient or advanced for grades 3, 5, and 8 from 2006-2007 to the 2011-2012 school years. Reading scores have been relatively stable since the 2008-2009 school year, though grade 8 scores declined 1.9 percentage points to 80.8% in 2012. Math scores increased for all three grades during the 2011-2012 school year, with grade 5 and grade 8 scores increasing the most, at 3.0 percentage points each. Grade 8 math scores continue to lag behind scores in earlier grades.

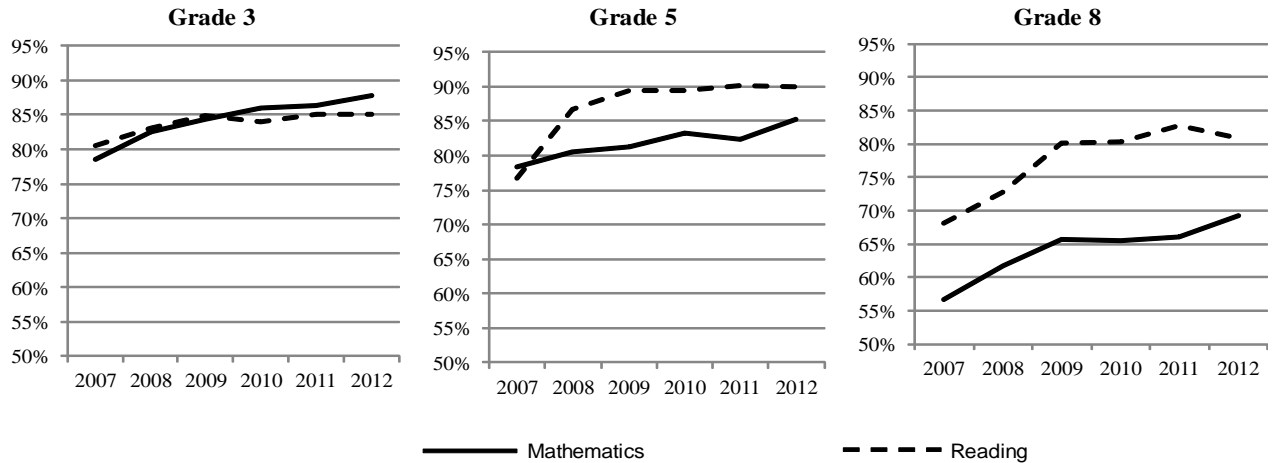
## 3. High School Assessment Percent Passing Decreases for Government; Remains Level for Algebra, Biology; Increases for English

The Maryland HSAs measure school and individual student performance in high school English, algebra/data analysis, biology, and government. The assessments are administered at the end of courses and are offered four times per year. Beginning with the class of 2009, the assessments have been a graduation requirement. As shown in **Exhibit 4**, the percent passing the algebra/data analysis and biology HSAs remained level in the 2011-2012 school year at 87.9 and 84.9%, respectively. The percent passing the Government HSA decreased from 89.8 to 87.9% in the 2011-2012 school year, while the percent passing the English HSA increased slightly to 86.4% from

### Exhibit 3

## Maryland School Assessment – Percent Proficient or Advanced

### School Years 2006-2007 to 2011-2012

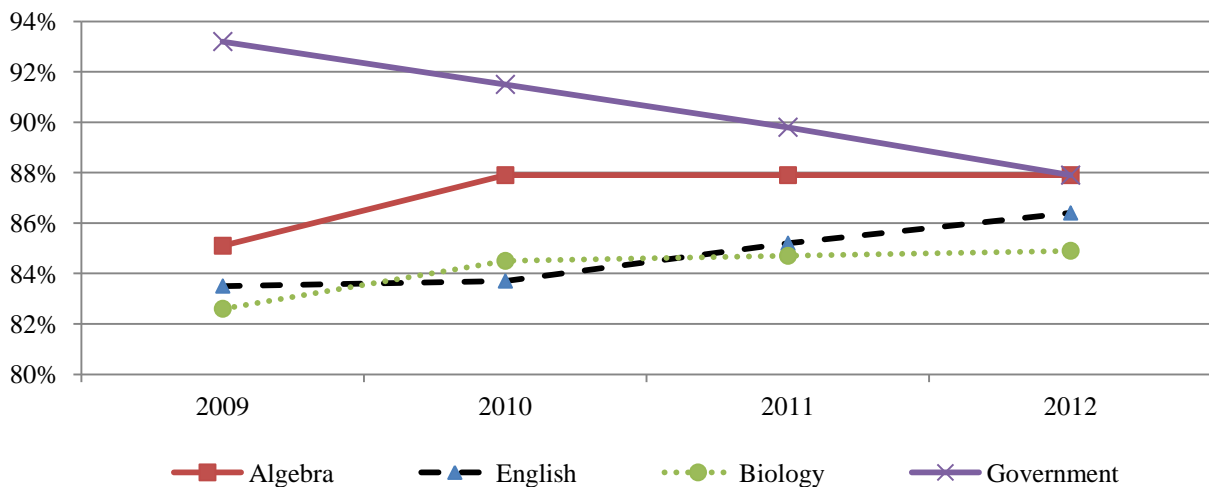


Source: *The Maryland Report Card*, Maryland State Department of Education

### Exhibit 4

## High School Assessments – Percent Passing

### School Years 2008-2009 to 2011-2012



Note: Data shown for grade 12 students who have taken the assessment.

Source: *The Maryland Report Card*, Maryland State Department of Education

85.2%. In fiscal 2012, the Government HSA was eliminated to recognize cost savings, though Chapter 476 of 2012 required MSDE to reinstate the Government HSA. Due to the elimination and subsequent reinstatement of the government exam, passing the government exam will again be a graduation requirement beginning with students entering grade 9 in the 2013-2014 school year. **The State Superintendent should comment on the 2011-2012 school year decline in the percentage passing the Government HSA.**

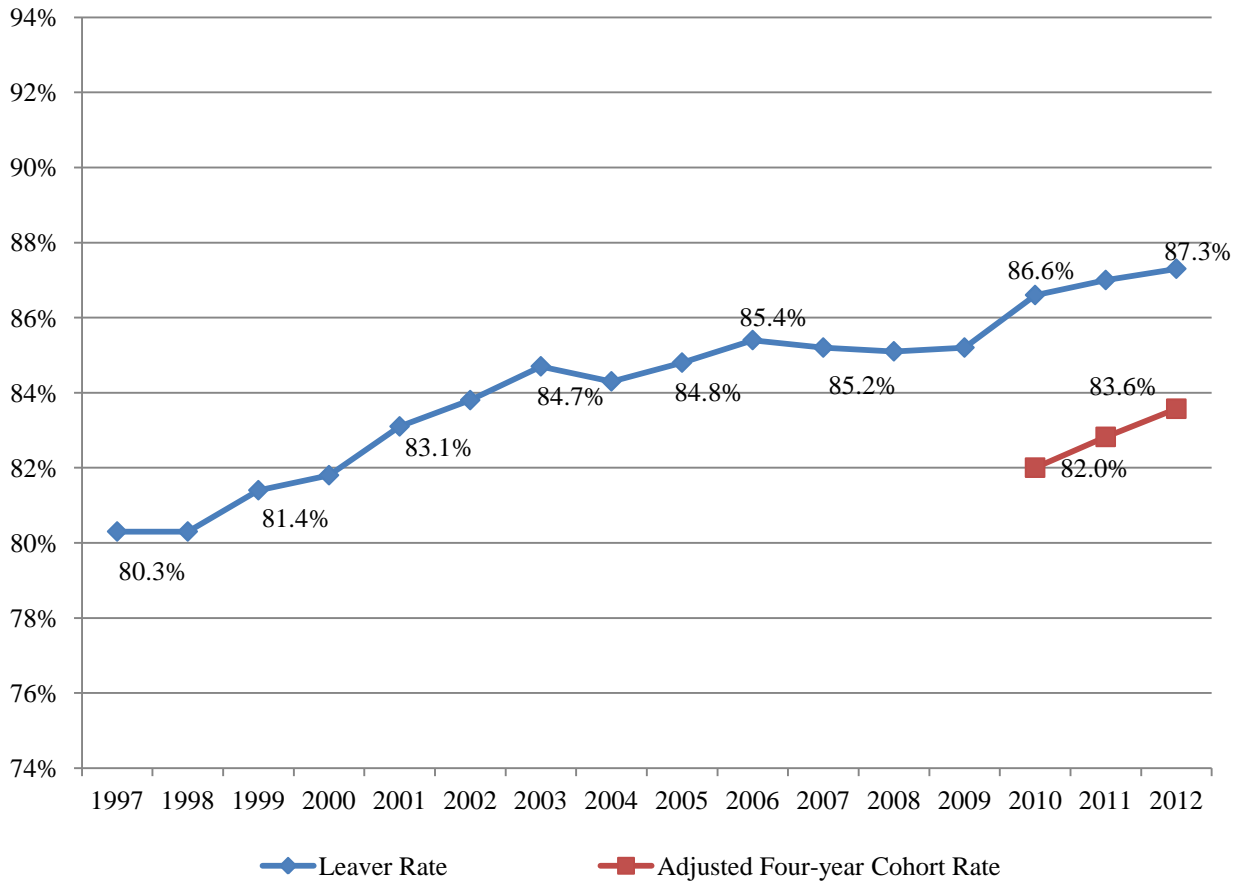
Students can meet the HSA requirement by passing all tests, by attaining a minimum combined score (with no minimum score for individual tests), by completing a bridge project instead of the tests, or by qualifying for a waiver. A waiver may be granted if the student (1) has met all other graduation requirements; (2) has taken or will take all tests; (3) has taken advantage of all extra help; and (4) the circumstances that have prevented the student from passing the test are beyond the student's control. In the 2011-2012 school year, all LEAs had students that met the requirement using the waiver. MSDE reports that 17 students failed to graduate due only to an inability to meet HSA requirements in the 2011-2012 school year, while 3,843 students did not graduate due to other reasons such as insufficient credits.

Beginning in the 2013-2014 school year, Maryland public schools will fully implement the Common Core State Standards for curriculum and instruction. In the 2014-2015 school year, Partnership for Assessment of Readiness for College and Career (PARCC) assessments, which are aligned to the Common Core State Standards, will be fully implemented. PARCC assessments will replace the MSAs in 2015, though the HSAs will be phased out due to the graduation requirement. **The State Superintendent should discuss the timeline for replacing the HSAs with PARCC assessments.**

#### **4. Statewide Graduation Rate Increases**

The statewide graduation rate in the 2011-2012 school year rose to 87.3% using the traditional Leaver rate, as shown in **Exhibit 5**. The rate hovered around 85.0% between the 2005-2006 and 2008-2009 school years before increasing to 86.6% in the 2009-2010 school year. The graduation rate increased slightly in both 2010-2011 and 2011-2012 school years. Maryland began calculating a new cohort graduation rate with the class of 2010, per federal requirements, and will report both rates for several years. Maryland's statewide four-year cohort graduation rate is lower than the Leaver rate but has increased slightly in each year, reaching 83.6% in the 2011-2012 school year. **Exhibit 6** shows the four-year cohort graduation rates by county for the 2012 cohort. Carroll County had the highest rate, greater than or equal to 95.0%. Baltimore City had the lowest rate at 66.5%. All but three LEAs improved their graduation rates from the 2011 cohort, with Kent County improving the most (7.5 percentage points). Howard, Prince George's, and Washington counties experienced declines in the 2012 cohort graduation rate.

**Exhibit 5**  
**State Graduation Rate 1997-2012 School Years**



Source: *Maryland Report Card*, Maryland State Department of Education

**Exhibit 6**  
**Graduation Rate by County**  
**2012 Cohort**

<u>School System</u>	<u>Students Graduating</u>	<u>Adjusted Cohort</u>	<u>Rate</u>
Allegany	619	689	89.8%
Anne Arundel	4,847	5,675	85.4%
Baltimore City	4,181	6,288	66.5%
Baltimore County	6,816	8,131	83.8%
Calvert	1,306	1,423	91.8%
Caroline	342	393	87.0%
Carroll	-	-	≥95.0%
Cecil	1,087	1,293	84.1%
Charles	2,130	2,373	89.8%
Dorchester	297	375	79.2%
Frederick	2,919	3,146	92.8%
Garrett	311	330	94.2%
Harford	2,639	2,985	88.4%
Howard	3,771	4,172	90.4%
Kent	157	174	90.2%
Montgomery	9,882	11,306	87.4%
Prince George's	7,478	10,262	72.9%
Queen Anne's	580	632	91.8%
Saint Mary's	1,191	1,358	87.7%
Somerset	168	201	83.6%
Talbot	333	375	88.8%
Washington	1,507	1,679	89.8%
Wicomico	892	1,100	81.1%
Worcester	525	564	93.1%
<b>State</b>	<b>56,260</b>	<b>67,318</b>	<b>83.6%</b>

\*State total includes Carroll County.

Source: *Maryland Report Card*, Maryland State Department of Education

The Leaver method estimates the number of students who entered the class four years prior compared to the number of graduates, but it does not follow the grade 9 cohort. For example, there can be students who count in the dropout number, then return to school and count in the graduate number. The new four-year adjusted cohort rate follows the cohort of students who entered high

school. From the beginning of grade 9, students who transfer into the cohort later during grade 9 and the next three years are added, and students who transfer out, emigrate to another country, or die during that same period are subtracted. The four-year cohort graduation rate is calculated by dividing the number of students who graduate in four years or less with a regular high school diploma by the number of students who form the adjusted cohort for that graduating class. Students who drop out remain in the adjusted cohort in the denominator of the calculation. MSDE also reports three-year and five-year adjusted cohort rates.

## **Fiscal 2013 Actions**

### **Proposed Deficiency**

Proposed fiscal 2013 deficiency appropriations total \$13.2 million. A \$311,650 general fund deficiency is proposed to provide funds to cover the State Retirement Agency (SRA) administrative fees for local libraries that were mistakenly not included in the fiscal 2013 allowance. Funds are included to cover the cost in the fiscal 2014 allowance. In addition, a \$12.9 million general fund deficiency is proposed to provide funds to cover unreimbursed federal funds for Temporary Assistance for Needy Families (TANF) eligible expenses incurred in fiscal 2002 and 2003. Closeout audits from the Office of Legislative Audits (OLA) dating back to fiscal 2006 have noted this unfunded liability, which will be resolved if the proposed deficiency is approved.

Other OLA closeout audit findings that were not addressed by proposed deficiencies include \$4.7 million in unsubstantiated accrued federal fund revenues related to Library Service Technology Act (LSTA) grant expenditures made during fiscal 2009 to 2012. If MSDE is not able to recover these federal funds, a general fund deficiency may be required to eliminate the deficit. In addition, the fiscal 2012 OLA closeout audit identified \$2.5 million in general fund unprovided for payables in the Students with Disabilities program. **The State Superintendent should discuss the findings of the 2012 OLA closeout audit and whether an additional general fund deficiency will be needed to cover the LSTA unsubstantiated accrued federal fund revenues or the unprovided for payables in the Students with Disabilities program.**

### **Anticipated General Fund Reversion**

The Governor's fiscal 2014 allowance assumes a \$60,000 reversion of general funds as a result of a fund swap between the MSDE Headquarters and Aid to Education budgets to ensure that all federal Education Aid funds were used before their expiration. In addition, the fiscal 2014 allowance assumes a \$6.8 million general fund reversion in the Nonpublic Placements program to cover the cost of placing students with special needs in nonpublic facilities. This anticipated reversion reflects funds from the fiscal 2012 appropriation that were unspent but not reverted during the fiscal 2012 closeout, as final expenditures for the program were unknown at the time. With this anticipated fiscal 2012 reversion, fiscal 2012 general fund reversions for the program will total \$7.9 million. **Exhibit 7** shows trends in the Nonpublic Placement program from fiscal 2010 to 2012.

**Exhibit 7**  
**Trends in Nonpublic Placements**  
**Fiscal 2010-2012**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Change</u> <u>2010-12</u>	<u>% Change</u> <u>2010-12</u>
<b>Children</b>					
Intensity 5	4,926	4,769	4,423	-503	-10.2%
Intensity 6	320	335	478	158	49.4%
In-state	216	259	408	192	88.9%
Out-of-state	104	76	70	-34	-32.7%
<b>Total</b>	<b>5,246</b>	<b>5,104</b>	<b>4,901</b>	<b>-345</b>	<b>-6.6%</b>
<b>Average State Cost</b>					
Intensity 5	\$16,970	\$16,459	\$16,818	-\$152	-0.9%
Intensity 6	34,066	32,590	25,553	-8,512	-25.0%
In-state	30,325	27,510	20,381	-9,944	-32.8%
Out-of-state	41,834	49,903	55,702	13,867	33.1%
<b>Total State Cost</b>					
Intensity 5	\$83,594,341	\$78,492,100	\$74,385,340	-\$9,209,001	-11.0%
Intensity 6	10,901,046	10,917,761	12,214,533	1,313,487	12.0%
<b>Total</b>	<b>\$94,495,387</b>	<b>\$89,409,861</b>	<b>\$86,599,873</b>	<b>-\$7,895,514</b>	<b>-8.4%</b>

Note: Cost share was amended by the Budget Reconciliation and Financing Act of 2009 (Chapter 487) decreasing the State share of funding for nonpublic placements from 80 to 70% of the costs exceeding the base local contribution beginning in fiscal 2010. Residential in-state placements and residential out-of-state placements are components of the Intensity 6 category.

Source: Maryland State Department of Education

In fiscal 2010, the State share of funding for nonpublic placements was reduced from 80 to 70% of the costs exceeding the base local contribution (*i.e.*, local share plus 200% of the basic cost). Since that time, the number of students served by the program has decreased by 345.

The number of students in residential out-of-state placements, the most expensive placement type, declined by 34 between fiscal 2010 and 2012. In addition, the average State cost of placement has fallen for students in both intensity levels (decreasing \$152 for students in intensity 5 and \$8,512 for students in intensity 6). **The State Superintendent should discuss recent enrollment declines in the Nonpublic Placement program as well as recent decreases in the average placement cost for participating students.**



## Proposed Budget

The proposed fiscal 2014 allowance is \$6.9 billion, a \$191.2 million increase over the fiscal 2013 working appropriation among all funds, as shown in **Exhibit 8**. Further detail on changes by fund is shown in **Exhibit 9**. The changes by program are shown in **Appendix 3**. General funds increase \$317.3 million, including \$136.1 million to replace Budget Restoration Funds in fiscal 2013. BTE formulas increase \$130.5 million in fiscal 2014. Fiscal 2014 represents the fourth year of significant special funds budgeted from video lottery terminal (VLT) proceeds. The fiscal 2013 appropriation includes \$286.1 million from VLTs, though an anticipated \$3.5 million shortfall due to the Hollywood Casino in Perryville not meeting expectations is expected to be backfilled through a supplemental budget. The fiscal 2014 allowance includes \$340.3 million in VLT and table game revenues credited to the special Education Trust Fund. Table games and expanded VLT operations were authorized by Chapter 1 of the Second Special Session of 2012 and approved by voters in November 2012.

### Exhibit 8 Proposed Budget MSDE – Aid to Education (\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2013 Working Appropriation	\$5,435,081	\$439,768	\$790,574	\$175	\$6,665,598
2014 Allowance	<u>5,752,375</u>	<u>357,939</u>	<u>746,342</u>	<u>120</u>	<u>6,856,777</u>
Amount Change	\$317,294	-\$81,829	-\$44,232	-\$55	\$191,179
Percent Change	5.8%	-18.6%	-5.6%	-31.4%	2.9%
Contingent Reduction	\$0	\$0	\$0	\$0	\$0
Adjusted Change	\$317,294	-\$81,829	-\$44,232	-\$55	\$191,179
Adjusted Percent Change	5.8%	-18.6%	-5.6%	-31.4%	2.9%

#### Where It Goes:

##### Bridge to Excellence Changes

State Share of the Foundation .....	\$38,619
Net Taxable Income Adjustment .....	8,332
Geographic Cost of Education Index .....	2,039
Compensatory Education .....	49,359
Limited English Proficiency .....	16,022
Transportation Funding .....	5,440

*R00A02 – MSDE – Aid to Education*

**Where It Goes:**

Special Education Formula .....	2,626
Guaranteed Tax Base .....	8,073
<b>Other General Fund Changes</b>	
At Risk Youth – SEED School for Disadvantaged Youth.....	400
Teacher and Librarian Retirement .....	101,354
Nonpublic Placements .....	-4,078
Maryland Meals for Achievement .....	1,800
State Library Network .....	138
Public Library Aid .....	349
Out-of-county Living Arrangements .....	-1,568
Early College .....	2,000
Digital Learning Innovation Fund .....	5,000
Quality Teacher Incentives and National Board Certification Fees .....	-600
<b>Combined Fund Changes</b>	
Children at Risk .....	399
<b>Federal Fund Changes</b>	
Food Services Program .....	24,156
Special Education – Grants to States, Preschool, and Infant/Family Grants .....	-43,617
Title I – Educationally Deprived Children Funds.....	-14,338
Charter School Grants.....	-6,541
GEAR-UP .....	-1,500
Career and Technology Education.....	-1,248
Teacher Development – Improving Teacher Quality .....	-872
Mathematics and Science Partnership .....	-218
Other .....	-348
<b>Total</b>	<b>\$191,179</b>

MSDE: Maryland State Department of Education

Note: Numbers may not sum to total due to rounding.

**Exhibit 9**  
**Education Aid by Fund**  
**Fiscal 2013-2014**  
**(\$ in Thousands)**

	<u>2013</u>	<u>2014</u>	<u>Change</u>
General Funds	\$5,435,081	\$5,752,375	\$317,294
Federal Funds	790,574	746,342	-44,232
Special Funds from Education Trust Fund	286,067	340,317	54,250
Special Budget Restoration Funds	136,085	0	-136,085
Other Special Funds	17,617	17,623	6
Reimbursable Funds	175	120	-55
<b>Total</b>	<b>\$6,665,598</b>	<b>\$6,856,777</b>	<b>\$191,179</b>

Source: Department of Legislative Services

### State Share of the Foundation Program

The foundation program includes the State share of the per pupil foundation formula, the GCEI, and the Supplemental Grants (created in Chapter 2 of the 2007 special session). In total, the foundation program increases by \$49.0 million.

- Foundation Formula (\$38.6 Million Increase):** The foundation formula ensures a minimum funding level per pupil and requires the LEAs to provide a local match. The formula is calculated based on a per pupil amount and student enrollment. Less wealthy school systems, as measured by assessable base and net taxable income (NTI), receive more aid per pupil than wealthier school systems. For the fiscal 2014 formula, fall 2013 enrollment increases by 4,479 full-time equivalent students (FTES), or 0.54%, totaling 827,931 statewide. Chapter 397 of 2011 limits inflation in fiscal 2013 through 2015 to 1.0%, which will set the fiscal 2014 per pupil amount to \$6,829.

Chapter 397 of 2011 provided \$1.4 million for grants to school systems experiencing decreases greater than 6.5% in State formula aid in fiscal 2012 only. Funding for the foundation formula was increased by \$1.4 million to accommodate these one-time grants. Chapter 148 of 2012 included \$1.2 million to provide grants to school systems experiencing decreases greater than 5.0% in State formula aid in fiscal 2013. Special funds for the foundation program were increased by \$1.2 million to accommodate these one-time grants in fiscal 2013.

- ***NTI (\$8.3 Million Increase):*** The Governor’s budget includes \$8.3 million to phase in a change to the NTI amount used to calculate wealth-based education formulas. The majority of State education aid is distributed through formulas that allocate funding to the local school boards inverse to local wealth per pupil. Local wealth includes the NTI and the assessable property tax base. Under current law, the NTI measure is based on returns filed on or before September 1 of each year. The Governor’s budget bases the NTI calculation on tax returns filed through November 1, aligning the date with the automatic income tax extension deadline of October 15. Using a more complete NTI data set results in a reallocation of State education aid in which most counties receive more aid and some receive less. However, the Governor’s plan holds jurisdictions that would otherwise be adversely impacted harmless, and phases in the NTI adjustment over five years, so that local school boards that will receive an increase in State aid realize 20.0% of the additional amount in fiscal 2014, 40.0% in fiscal 2015, and 100.0% in fiscal 2018. NTI is discussed in more detail in the Issues section.
- ***GCEI (\$2.0 Million Increase):*** The GCEI is a discretionary formula that accounts for differences in the costs of educational resources among the local school systems. The GCEI was fully funded for the first time in fiscal 2010 and has been fully funded since.
- ***Supplemental Grants – Chapter 2 of the 2007 Special Session (No Change):*** To mitigate the impact of an inflation freeze in the per pupil foundation amount in fiscal 2009 and 2010, supplemental grants were established to ensure at least a 1.0% annual increase in State funding in 2009 and 2010 for each local school system in accordance with a formula codified in the legislation. To determine if a school system was eligible for supplemental grants in 2009, the amount State aid under the BTE programs, 50.0% of the State payment for teachers’ retirement, and 50.0% of the GCEI funding received by the LEAs was compared to State aid from the prior fiscal year. The 2010 calculation was the same, except 60.0% of the GCEI funding was compared.

Beginning in fiscal 2011, as approved in 2007 and amended by the Budget Reconciliation and Financing Act (BRFA) of 2009, the supplemental grants continue at the amount provided in the previous year. For 2011 and future years, the amount will total \$46.5 million for the nine counties that receive the grant (Carroll and Harford counties no longer receive it). Eligibility for supplemental grants is not redetermined each year.

### **Other Bridge to Excellence Changes**

- ***Compensatory Education (\$49.4 Million Increase):*** The compensatory education formula provides additional funding based on the number of students eligible for FRPM. The formula is calculated using the number of eligible students and 97.0% of the per pupil foundation amount. The State share of the formula cost is 50.0%, with the State paying no less than 40.0% of formula funding for each LEA. Funds are distributed to each LEA based on the enrollment of students eligible for FRPM in the school system and local wealth. The \$49.4 million increase in fiscal 2014 equates to a 4.3% increase over the fiscal 2013 level. Due to the economic recession

and the corresponding income decline for many households, 10,424 more students qualify for FRPM. Currently, 41.8% of students statewide qualify for FRPM.

- ***Limited English Proficiency (\$16.0 Million Increase):*** The LEP formula provides additional funds based on the number of students for whom English is a second language. The formula is calculated based on the enrollment of LEP students and 99.0% of the per pupil foundation amount. The \$16.0 million increase represents a 9.0% increase over the fiscal 2013 level and is based on 3,772 more LEP students. Like the compensatory formula, the State pays 50% of the formula costs statewide for LEP with a floor of 40% for each LEA.
- ***Special Education (\$2.6 Million Increase):*** The special education formula provides additional aid based on the number of students with disabilities. The formula is calculated using special education enrollment and 74.0% of the per pupil foundation amount. The State share of the formula cost is 50.0% statewide with a floor of 40.0% for each LEA. The State share increases by \$2.6 million, or 1.0%, in the fiscal 2014 allowance, due to the 1.0% increase in the foundation per pupil amount and a decrease of 128 students since fiscal 2013.
- ***Transportation Funding (\$5.4 Million Increase):*** The State provides grants to assist LEAs with the cost of transporting students to school. The grant includes a separate component for the transportation of disabled students, which equals \$1,000 per student requiring special transportation enrolled in the school system the prior fiscal year. Section 5-205 of the Education Article requires an inflationary increase based on the Consumer Price Index (CPI) for private transportation in the second preceding fiscal year for the base grant. Chapter 484 of 2010 capped the rate at 1.0% for fiscal 2011 through 2015, and allows the rate to fluctuate between 1.0 and 8.0% in future years. Previously, the rate could fluctuate between 3.0 and 8.0%. The fiscal 2014 allowance includes funds to support a 1.0% increase to student transportation, though the CPI for private transportation in the second preceding year decreased 1.2%. **The Department of Legislative Services (DLS) recommends that funding for student transportation be reduced by \$2,280,649, as the CPI for private transportation in the second preceding year did not increase. This reduction eliminates the 1.0% rate increase but allows funding to increase with enrollment growth.**
- ***Guaranteed Tax Base (\$8.1 Million Increase):*** The Guaranteed Tax Base provides additional funding to LEAs with less than 80.0% of statewide wealth per pupil and with a contribution of more than the minimum required local share under the foundation program in the prior fiscal year compared to the LEA's wealth (i.e. education effort). In fiscal 2014, nine school systems qualify for the grant. The Guaranteed Tax Base formula has an inverse relationship with per pupil foundation changes. As the per pupil amount increases, the proportion of an LEA's contribution above the minimum local share is reduced as a share of total funds.

## **Other General Fund Changes**

- ***Teachers' and Librarians' Retirement (\$101.4 Million Increase):*** The BRFA of 2011 reduced costs for teachers' and librarians' retirement in fiscal 2012 through the restructuring of the State's pension system. It also required local boards of education to pay a share of the administrative costs for SRA, which is expected to total \$13.6 million in fiscal 2014. The BRFA of 2012 (Chapter 1 of the First Special Session of 2012) phased in school board payments of the annual normal cost over four years (with increased county maintenance of effort requirements equal to the required payments). After fiscal 2016, each school board is responsible for paying the actual normal costs associated with its employees. Despite the restructuring and cost sharing, State payments on behalf of local boards and libraries for retirement increases \$101.4 million due to lower investment returns than projected and increasing reinvestment into the system.
- ***At Risk Youth – SEED School for Disadvantaged Youth (\$400,000 Increase):*** The SEED School of Maryland is a residential education boarding program for at risk students that opened in August 2008 (fiscal 2009) with a class of 80 6th graders. Section 8-710 of the Education Article requires the Governor to provide at least \$2.0 million to the school for the program to serve up to 80 children and an additional \$250,000 for each additional 10 students beginning in fiscal 2009. As of September 30, 2012, the school had 386 students enrolled in grades 6 through 10.

General funds increase by \$400,000 in the allowance, bringing the total State funds for the SEED School to \$10.1 million in support of 400 students. The initial plan was to reach an expected maximum enrollment of 400 students and a total appropriation of \$10.0 million in fiscal 2013 and subsequent years. However, the BRFA of 2010 (Chapter 484) delayed the phase up to 400 students until fiscal 2014 by reducing fiscal 2012 and 2013 enrollment. Chapter 504 of 2011 altered the minimum amount of State funds to be appropriated annually toward transportation, boarding, and administrative costs of residential boarding education programs for at-risk youth. Beginning in fiscal 2014, minimum funding per student is the prior year funding amount as altered by the annual change in the per pupil foundation amount that is used to determine State aid for public primary and secondary education.

- ***State Library Network (\$137,959):*** The State provides funds in addition to the county library formula to libraries designated as resource centers, including the State Library Resource Center in Baltimore City, the Eastern Resource Center in Salisbury, the Southern Resource Center in Charlotte Hall, and the Western Resource Center in Hagerstown.

State funding for the State Library Resource Center had been steady at \$1.85 per Maryland resident, but Chapter 487 of 2009 reduced the amount to \$1.67 per resident in fiscal 2010 and 2011. The BRFA of 2011 (Chapter 397) held funding at \$1.67 per resident for fiscal 2012 through 2016, before a phase in to \$1.85 in 2019 and in subsequent years. The BRFA of 2011 also set funding for regional resource centers at \$6.75 per resident of each region for

fiscal 2012 through 2016, before phasing up to \$7.50 per resident in 2019 and in subsequent years.

- ***Out-of-county Living and Schools Near County Lines (\$1.6 Million Decrease):*** The State provides a contribution to counties for educating students who are not permanent residents of the county but may be attending the local school. This includes students who live near county lines and the closest school is not in their county of residence, and students in State-supervised or foster care who are not in the county where their legal guardian resides. The State contribution is a statutory mandate and depends on the number of children in these circumstances. The Department of Budget and Management (DBM) reports that the fiscal 2013 working appropriation for the Out-of-county Living Arrangements program exceeds anticipated expenditures by \$1.5 million. **DLS recommends that language be added in the BRFA of 2013 restricting \$1.5 million of the fiscal 2013 appropriation to the purpose of Out-of-county Living Arrangements or Quality Teacher Incentives to reflect the anticipated surplus in the Out-of-county Living Arrangements program.**
- ***Maryland Meals for Achievement (\$1.8 Million Increase):*** The State provides general funds to support free classroom breakfast to all students at participating schools regardless of income. Under State law, any school that participates in the federal School Breakfast Program and has at least 40.0% FRPM enrollment can apply to participate. The fiscal 2014 increase is expected to provide breakfast to an additional 57,000 students. A preliminary allocation of the program enhancement distributes funds based on the number of unfunded applications in fiscal 2013, favoring schools that submitted an application but did not receive funding in fiscal 2013. Based on this distribution, Montgomery County would receive \$1.1 million of the \$1.8 million increase, though the county accounts for only 13.3% of the State's FRPM enrollment in fiscal 2014. **DLS recommends that the committees adopt language to distribute the additional \$1.8 million in the Maryland Meals for Achievement Program based on the proportion of the State's FRPM population enrolled in each LEA.**
- ***Public Library Aid (\$349,362 Increase):*** Chapter 481 of 2005 provided funding increases for county public libraries based on an increase in a per capita formula funding level. Budget reconciliation legislation enacted between 2007 and 2011 slowed enhancements and reduced the target per resident amount to \$14 from \$16. The per resident amount for fiscal 2012 through 2016 is \$14, phasing up to \$15 by fiscal 2019 and in subsequent years.
- ***Nonpublic Placements (\$4.1 Million Decrease):*** The State funds a share of the cost of placing students with special needs in nonpublic school facilities. The costs vary depending on the number of students and the cost of the services provided for students placed in the program. The decrease is attributable to recent enrollment declines and decreases in the average placement cost since fiscal 2010, when the State share of funding for nonpublic placements was reduced from 80.0 to 70.0% of the costs exceeding the base local contribution. Provider rate increases in the program were limited to 1.0% in fiscal 2010, prohibited in fiscal 2011 and 2012, and again limited to 1.0% in fiscal 2013 as a result of

budget reconciliation legislation. The Administration's BRFA of 2013 proposes to cap provider rate increases for this program at 2.5%, though provider increases are not expected to reach this level. As a result, the 2.5% limit on rate increases is not expected to impact expenditures. DBM reports that the fiscal 2013 working appropriation exceeds anticipated expenditures in the Nonpublic Placements program by \$5.5 million. **DLS recommends that language be added in the BRFA of 2013 restricting \$5.5 million of the fiscal 2013 appropriation to be used only for the purpose of Nonpublic Placements or Quality Teachers Incentives to reflect the anticipated surplus in the Nonpublic Placement program.**

- ***Early College Innovation Fund (\$2.0 Million Increase):*** This new initiative will support an expansion of early college access programs that provide accelerated pathways for students seeking career and technical education or training in science, technology, engineering, and math disciplines. MSDE will make competitive grants to partnerships of local school systems and higher education institutions that are formed to create early college high schools and other forms of early college access. Funds are intended as bridge funding to assist in the start-up costs associated with creating new early college programs.
- ***Digital Learning Innovation Fund (\$5.0 Million Increase):*** This new initiative will support competitive grants to LEAs to create digital learning environments such as multimedia assets to students and teachers; differentiated instruction; differentiated assignments and materials for students advancing at different paces; training and support to educators and students; and offering more current information than traditional textbooks on an ongoing basis. **DLS recommends that funding for the Digital Learning Innovation Fund be limited to \$1.0 million in the first year, and that the committees adopt language restricting funds for the program until MSDE submits a report detailing the types of proposals that will be funded and how funds will be distributed.**
- ***Quality Teacher Incentives and National Board Certification Fees (\$600,000 Decrease):*** Funds for Quality Teacher Incentives are used to recruit and retain quality teachers by providing stipends to teachers achieving National Board Certification and teachers holding Advanced Professional Certificates (APC) that teach in comprehensive needs schools. Funds were moved into the program during fiscal 2013 to cover anticipated program deficiencies. DBM reports that an additional program shortfall in fiscal 2013 is anticipated. **The State Superintendent should discuss how much the fiscal 2013 program shortfall is expected to be. The State Superintendent should also discuss whether the fiscal 2014 allowance for the Quality Teacher Incentives Program is expected to cover anticipated program expenditures. Quality Teacher Incentives will be discussed in greater detail in the Issues section.**

National Board Certification Fees provide funds to reimburse teachers for the cost of attaining National Board Certification. The fiscal 2014 allowance includes \$1.0 million in general funds to support National Board Certification Fees. By statute (Education Article §6-112) this program terminates on June 30, 2013. **DLS recommends that the committees add language**



**making the appropriation for National Board Certification Fees contingent on the enactment of legislation reauthorizing the program.**

## **Combined Fund Changes**

- ***At Risk Youth – Various (\$399,182 Increase):*** Other changes in programs for at risk youth include a \$399,182 increase in federal funds for Safe and Drug-free Schools and Communities National Programs, and for the 21st Century Community Learning Centers grant.

## **Federal Fund Changes**

- ***Food Services Program (\$24.2 Million Increase):*** Federal funds budgeted for food services include the School Breakfast Program, the National School Lunch Program, and the Child and Adult Care Food Program.
- ***Special Education (\$43.6 Million Decrease):*** Federal special education funds include special education grants to states, preschool grants, and grants for infants and families with disabilities. The fiscal 2014 allowance is \$14.0 million below the fiscal 2012 actual appropriation.
- ***Title I – Educationally Deprived Children (\$14.3 Million Decrease):*** Federal Title I grants are allocated to states under the ESEA to provide additional resources for low-income children. The fiscal 2014 allowance is \$3.0 million below the fiscal 2012 actual appropriation.
- ***Charter School Grants (\$6.5 Million Decrease):*** The Innovative Program budget includes federal funds for Charter Schools. Funds decrease due to the conclusion of this federal grant.
- ***Gaining Early Awareness and Readiness for Undergraduate Programs (\$1.5 Million Decrease):*** The Innovative Programs budget includes federal funds for the Gaining Early Awareness and Readiness for Undergraduate Programs. Federal funds decrease due to the conclusion of this federal grant.
- ***Career and Technology Education (\$1.2 Million Decrease):*** Federal funds for vocational education basic grants to states decline by \$1.2 million.
- ***Improving Teacher Quality (\$872,197 Decrease):*** Federal funds for Improving Teacher Quality are distributed to states based on a two-part formula: a base allocation and a formula that accounts for each state's share of the population aged 5 to 17 and relative share of poor children in that age range. Funds are used for professional development, class-size reduction, and other activities that improve teacher quality.

- ***Mathematics and Science Partnership (\$217,637 Decrease):*** Federal funds for science, technology engineering, and mathematics education decrease \$217,637.

### **Other Contingent Actions**

As discussed earlier in the analysis, the BRFA of 2013 proposes to limit the growth in the fiscal 2014 rates paid to providers of nonpublic special education placements to 2.5% over the rates in effect on January 16, 2013. Provider rate increases for nonpublic special education placements are determined based in part on the prior year CPI, which for fiscal 2013 is estimated to be 1.7%, and the average salary increase for first- and fifth-year teachers, which for fiscal 2013 is 0.5%. As a result, fiscal 2014 general fund expenditures are not expected to be impacted by the implementation of a 2.5% cap on provider rate increases.

## ***Issues***

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### **1. State Aid for Education Increases in Fiscal 2014**

Public schools receive \$6.0 billion in fiscal 2014, representing a \$230.8 million (4.0%) increase over 2013. Despite the recent pension reform and local cost-sharing initiatives, teachers' retirement payments made by the State on behalf of local school boards increase by \$97.5 million, representing 42.2% of the increase. Aid that flows directly to local school boards increases by \$133.3 million (2.6%). The increase in direct aid is driven by a 1.0% increase in the per pupil foundation amount and enrollment increases.

#### **Foundation and Most Other Direct Aid Programs Increase Slightly**

The foundation program (excluding an NTI adjustment, GCEI, and supplemental grants) totals \$2.9 billion in fiscal 2014, an increase of \$38.6 million (1.4% over fiscal 2013), as shown in **Exhibit 10**. The increase is attributable to enrollment growth of 0.5% (4,479 FTES) and a 1.0% increase in the per pupil foundation amount. The BRFA of 2010 (Chapter 484) limits increases in the per pupil foundation amount to 1.0% for fiscal 2013 to 2015. Without the 1.0% cap, the per pupil amount would increase by approximately 1.4%.

After the foundation program, in fiscal 2014, the compensatory education and LEP formulas have the largest dollar increases among the direct aid programs. A portion of the increase in each program is due to enrollment growth, with the remaining increases attributable to the increase in the per pupil foundation amount. The compensatory aid program, which provides additional funding to local school boards based on the enrollment of students eligible for FRPM, reaches \$1.2 billion in fiscal 2014, representing a \$49.4 million (4.3%) increase. The LEP program provides additional resources based on local counts of English language learners and increases by \$16.0 million (9.0%) to \$193.4 million.

#### **Retirement Costs Grow Despite Pension Reforms and Cost-sharing**

In an effort to constrain rapidly escalating teachers' retirement costs and reduce the long-term liabilities of the State Retirement and Pension System (SRPS), changes to the State's pension structure have been enacted in each of the last two years. The BRFA of 2011 (Chapter 397) altered the benefit structure for teachers and other professional school employees (along with the benefits provided to State employees) by increasing employee contributions to the system and decreasing pensions for employees hired after July 1, 2011. The legislation requires that \$300 million of the savings from the reform be reinvested in the system each year, beginning in fiscal 2014. Chapter 397 of 2011 also requires each local school board, along with the community colleges and all State agencies, to share in the administrative costs of SRA in proportion to its active membership in SRPS.

**Exhibit 10**  
**State Aid for Education**  
**Fiscal 2013-2014**  
**(\$ in Thousands)**

<b><u>Program</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
Foundation Program	\$2,811,624	\$2,850,243	\$38,619	1.4%
Net Taxable Income	0	8,332	8,332	
Geographic Cost Adjustment	128,753	130,792	2,039	1.6%
Supplemental Grant	46,496	46,496	0	0.0%
Compensatory Education Program	1,146,261	1,195,620	49,359	4.3%
Special Education Program	266,495	269,121	2,626	1.0%
Nonpublic Placements	113,898	109,819	-4,078	-3.6%
Limited English Proficiency	177,406	193,428	16,022	9.0%
Guaranteed Tax Base	44,206	52,279	8,073	18.3%
Student Transportation	251,329	256,769	5,440	2.2%
Other	53,538	60,412	6,875	12.8%
<b><i>Direct Aid Subtotal</i></b>	<b><i>\$5,040,005</i></b>	<b><i>\$5,173,310</i></b>	<b><i>\$133,306</i></b>	<b><i>2.6%</i></b>
Teachers Retirement	755,389	852,859	97,470	12.9%
<b>Total</b>	<b>\$5,795,394</b>	<b>\$6,026,169</b>	<b>\$230,775</b>	<b>4.0%</b>

Note: Other includes general and special funds supporting SEED School, formulas for specific populations, Infants and Toddlers, Innovative Programs, Food Service, science, technology, engineering, and mathematics (STEM), and Teacher Development. Excludes the State Retirement Agency's administrative fee for teachers' retirement.

Source: Governor's Budget Books, Fiscal 2014

Further cost-sharing was approved in the BRFA of 2012 (Chapter 1 of the First Special Session of 2012). Chapter 1 phased in school board payments of the annual normal cost over four years. The payments required from each school board for fiscal 2013 through 2016 are specified in the legislation and county maintenance of effort (MOE) payments to the school boards increase to help support the cost-sharing initiative. After fiscal 2016, each school board is responsible for paying the actual normal costs associated with its employees.

Despite these cost-saving measures, State retirement payments for public school teachers and other professional personnel continue to grow. The costs will total \$852.9 million in fiscal 2014, representing a \$97.5 million increase (12.9%) from the prior fiscal year. This increase is due to an increase in the State contribution rate (from 13.29 to 14.71%), as well as \$68.1 million increase from fiscal 2013 to 2014 in the required reinvestment of pension reform savings. The school salary bases used to calculate the required payments actually decreased 2.0% from \$5.7 billion in June 2011 to

\$5.6 billion in June 2012. In addition to the State's share of teacher pension costs, local school boards will contribute approximately \$186.5 million to the payments in fiscal 2014. This represents an increase of \$36.8 million over the combined fiscal 2013 local share and includes \$173.2 million for the local share of pension contributions and \$13.6 million toward SRA costs.

### **Net Taxable Income**

The majority of State education aid is distributed through formulas that allocate funding to the 24 local school boards inverse to local wealth per pupil. Local wealth includes the NTI and the assessable property tax base. Under current law, the NTI is based on tax returns filed on or before August 15 of each year and reported by the IRS by September 1 of each year. Changing the NTI calculation to include returns filed through October 15 and reported on November 1 would align the date with the automatic income tax extension deadline of October 15 capturing the data for late filers, who tend to be wealthier. Using a more complete NTI data set would lead to a reallocation of State education aid in which some counties receive more aid and some receive less. **Exhibit 11** shows the difference in State aid by county resulting from the calculation using September 1 versus November 1 NTI data. As shown in Exhibit 11, using the November 1 date in isolation would result in \$12.0 million in additional direct State aid in the fiscal 2014 allowance. However, Baltimore City, and Baltimore, Howard, and Montgomery counties would receive less aid than they do by using the current September 1 NTI date. The exhibit also shows the impact of holding these counties harmless by calculating the NTI twice, once using an NTI amount based on tax returns filed by September 1 and once using an NTI amount based on tax returns filed by November 1, with each local school board then receiving the greater of the results from the two calculations. As shown in Exhibit 11, if fully implemented, this methodology would yield an increase of \$41.7 million in education aid in fiscal 2014, with 18 local school boards receiving additional State aid.

SB 277/HB 229 are Administration bills that would implement this methodology phased in over 5 years. The fiscal 2014 allowance includes \$8.3 million to provide 20% of the increase LEAs would have received if the November 1 NTI data was used, while holding harmless counties that would see a decrease in State aid. The \$8.3 million appropriation is contingent upon the enactment of legislation altering the calculation of NTI. By fiscal 2018 when the bill is fully implemented, the estimated State cost increases to \$55.9 million. **The State Superintendent should comment on the proposed change, whether calculating wealth-based formulas twice using different NTI data in perpetuity may lead to errors in calculations, and on the impact holding some LEAs harmless would have on wealth equalization.**

**Exhibit 11**  
**Proposed Net Taxable Income Adjustment**  
**Fiscal 2014**

<u>County</u>	<u>Direct Aid September NTI</u>	<u>Direct Aid November NTI</u>	<u>Difference</u>	<u>Greater of Sept. and Nov.</u>	<u>Cost Over Current Law</u>	<u>20% Phase-in in Year One</u>
Allegany	\$75,183,613	\$76,738,812	\$1,555,199	\$76,738,812	\$1,555,199	\$311,040
Anne Arundel	323,408,009	326,281,065	2,873,056	326,281,065	2,873,056	574,611
Baltimore City	914,824,340	913,033,528	-1,790,812	914,824,340	0	0
Baltimore	577,049,727	571,836,901	-5,212,826	577,049,727	0	0
Calvert	81,136,641	82,346,103	1,209,462	82,346,103	1,209,462	241,892
Caroline	46,283,431	47,139,038	855,607	47,139,038	855,607	171,121
Carroll	137,098,055	139,019,872	1,921,817	139,019,872	1,921,817	384,363
Cecil	96,904,796	98,976,282	2,071,486	98,976,282	2,071,486	414,297
Charles	158,472,964	162,792,852	4,319,888	162,792,852	4,319,888	863,978
Dorchester	34,848,814	35,552,952	704,138	35,552,952	704,138	140,828
Frederick	227,569,191	229,917,501	2,348,310	229,917,501	2,348,310	469,662
Garrett	20,956,346	21,391,387	435,041	21,391,387	435,041	87,008
Harford	200,320,100	203,267,124	2,947,024	203,267,124	2,947,024	589,405
Howard	221,529,684	221,421,284	-108,400	221,529,684	0	0
Kent	9,546,973	9,757,842	210,869	9,757,842	210,869	42,174
Montgomery	608,511,847	585,987,316	-22,524,531	608,511,847	0	0
Prince George's	942,746,203	955,447,474	12,701,271	955,447,474	12,701,271	2,540,254
Queen Anne's	33,206,132	33,561,399	355,267	33,561,399	355,267	71,053
St. Mary's	94,779,771	96,336,546	1,556,775	96,336,546	1,556,775	311,355
Somerset	26,797,244	27,294,636	497,392	27,294,636	497,392	99,478
Talbot	12,418,653	12,418,653	0	12,418,653	0	0
Washington	160,068,909	163,311,513	3,242,604	163,311,513	3,242,604	648,521
Wicomico	123,036,286	124,889,100	1,852,814	124,889,100	1,852,814	370,563
Worcester	19,389,637	19,389,637	0	19,389,637	0	0
<b>Total</b>	<b>\$5,146,087,365</b>	<b>\$5,158,108,816</b>	<b>\$12,021,451</b>	<b>\$5,187,745,385</b>	<b>\$41,658,020</b>	<b>\$8,331,604</b>

NTI: net taxable income

Source: Department of Legislative Services

## **2. Maryland Receives Elementary and Secondary Education Act Flexibility Waiver**

The NCLB was enacted in 2001 and requires states to develop an accountability framework in which every child is tested in reading and math in grades 3 through 8 and again in math, English, and science in high school. The NCLB establishes a goal of having 100% of students reach proficiency in reading and mathematics by the 2013-2014 school year.

In the absence of congressional reauthorization of the ESEA (also known as the NCLB), USDE offered states an opportunity to apply for ESEA flexibility. To receive a waiver, states had to outline how they would improve instruction and student academic achievement. Flexibility waives 10 ESEA requirements (and up to 3 optional ESEA requirements) including achieving 100% student proficiency by 2014; supplemental education services and school choice; corrective action, school restructuring, and improvement plan requirements; and Title I and Title II fund restrictions for districts that do not achieve Highly Qualified Teacher requirements.

### **School Progress Index Replaces NCLB's Annual Yearly Progress**

In May 2012, Maryland received an ESEA flexibility waiver, allowing the State to replace the NCLB performance measures with the Maryland SPI. This new accountability system measures school progress in improving student achievement, closing achievement gaps, and moving students toward college and career readiness. Under the waiver, new performance targets are set for each school to reduce student achievement gaps for student subgroups and for all students by 50% by 2017.

**Exhibit 12** shows the elementary and middle school and high school progress indices. Both the elementary and middle school and high school SPIs include student achievement and achievement gap measures. While the elementary and middle school index includes a student growth component, the high school index instead includes a measure of college and career readiness as demonstrated by graduation rates, career attainment, and college attendance. The high school index does not include student growth, as the HSAs are end-of-course exams, so year-over-year growth cannot be assessed.

Annual targets are set for every school based on the progress required to achieve each school's goals by 2017. School attainment of annual targets for each indicator is combined to generate a SPI for each LEA. The SPI is an estimate of the extent to which the school or LEA has met its targets. A school making progress as expected will achieve an Index score of 1 or better.

## Exhibit 12

### Maryland School Progress Index

#### Elementary and Middle School Index

Student Achievement – reading, math, and science	30%
Student Growth – reading and math	30%
Reduce Achievement Gaps – reading, math, and science	40%

#### High School Index

Student Achievement – algebra/data analysis, English, and biology	40%
College and Career Readiness – graduation rate, career attainment, and college attendance	20%
Reducing Achievement Gaps – algebra/data analysis, English, and biology	40%

Source: Maryland State Department of Education

Based on the SPI data, schools are placed into one of five performance strands. Schools in strand 1 are the State's highest performing schools with minimal subgroups missing annual targets, while schools in strand 5 are the lowest performing schools overall, and schools with multiple subgroups missing annual targets. MSDE will provide schools and LEAs with a system of oversight and support based on the 5 strand rating system. Priority schools, as defined by USDE, are the lowest-performing schools equal to at least 5% of the State's Title I schools. Focus schools are schools that do not require schoolwide, systemic change but need to focus on the services to one or two subgroups. Maryland's persistently lowest-performing schools will work with the State's Breakthrough Center and LEA leadership to select one of four approved turnaround models. Focus Schools will complete a needs assessment and select targeted strategies designed to meet identified needs such as staff capacity building, collaboration, and planning time. These schools can also access technical assistance from the Breakthrough Center to assist in the analysis of school operations, make recommendations for improving student performance, and provide implementation support. Priority schools will be monitored by School Improvement Grant Monitoring Teams and new Priority Schools Monitoring Teams. The lowest 5% of non-Title I schools will also undergo additional periodic monitoring with a focus on teachers' individual professional development plans. LEAs will provide additional technical assistance such as data analysis and professional development to Title I schools that do not meet annual subgroup targets or that have large achievement gaps.

Any school in which a subgroup misses an annual target will be required to analyze and address the need of that subgroup in its school improvement plan. All LEAs will detail in its Master Plan submitted annually to MSDE strategies to improve the performance of any subgroup not meeting targets. In addition, all schools will develop a school improvement plan. **The State Superintendent should discuss how progress on annual targets will be assessed once the State implements PARCC assessments in the 2014-2015 school year, mid-way through the six-year time period over which schools are to achieve a 50% reduction in nonproficiency among all students and student subgroups.**



### **3. Race to the Top and Flexibility Waiver Targets Educator Evaluation Reforms**

Competition for states' Race to the Top (RTTT) funds spurred legislative reforms around the country, including changes to educator evaluation procedures requiring school systems to include student growth measures in teacher and principal evaluations. Maryland followed suit with the passage of the Education Reform Act of 2010 (Chapter 189) requiring the State Board of Education to adopt regulations establishing standards for teacher and principal evaluations that include student growth as a significant component. Redesigned teacher and principal evaluations were a critical part of Maryland's RTTT application.

To receive an ESEA waiver, states had to include in their application a plan to improve effective instruction and leadership. To this end, Maryland's application included the State's new teacher and principal evaluations system. As a result, all LEAs (including those that did not sign on to the RTTT grant) must essentially comply with the Education Reform Act, which requires teachers and principals to be evaluated using a State or local model that assigns "significant value" to measurable student growth. Recommendations for the new educator evaluation systems were developed by the Maryland Council for Educator Effectiveness (MCEE), which the Governor established by executive order on June 1, 2010. The Evaluation Frameworks developed by MCEE specify that measures of professional practice must comprise 50% of the evaluation of a teacher or principal, while the other 50% must be comprised of measures of student growth. State assessments, if available, must count for at least 20% and will be combined with other measures determined by the school system. The remaining measures are those LEA proposed objective measures of student growth.

#### **Educator Evaluation System Changes Based on 2011-2012 Pilot**

During the 2011-2012 school year, seven local school systems (Baltimore City and Baltimore, Charles, Kent, Prince George's, Queen Anne's and St. Mary's counties) piloted new teacher and principal evaluation systems. Each system selected teachers at multiple grade levels and subject areas to participate. On June 1, 2012, MCEE issued final recommendations for a statewide educator evaluation system revised based on feedback from the pilot systems. While the initial student growth measure recommendation combined State growth measures (30%) and local growth measures (20%), stakeholder feedback indicated difficulty in distinguishing between State and local measures for grade and content areas in which State assessments are administered and local assessments are not available. In response, MCEE endorsed a 50% blended State/local growth measure and the mandatory use of the state assessments among the growth measures used in grades and subjects in which they are administered.

In addition, though MCEE initially recommended that teachers receive an effective rating in the student growth measure to be rated effective overall, the pilot systems requested equal weighting of the student growth and professional practice components, and MCEE agreed.

In response to concerns regarding the cost of annual evaluations, MCEE agreed to conduct evaluations within a three-year cycle. All teachers and principals will be evaluated on both professional practice and student growth in the first year. Teachers rated as ineffective during the first year, nontenured teachers, and principals will receive annual evaluations on professional practice and student growth during the cycle's remaining two years. Tenured teachers rated highly effective or effective in the first year will receive annual student growth evaluations only, with their professional practice rating carried forward and included in the total rating for the last two cycle years.

Finally, though initial MCEE recommendations established three tiers of evaluation ratings (highly effective, effective, and ineffective), some pilot systems suggested adding a developing/approaching effectiveness tier. MCEE agreed that a local school system could choose to adopt the fourth category.

### **USDE Critiques Field Testing of New Evaluation System**

In its year two RTTT performance report, USDE critiqued MSDE's handling of the 2011-2012 educator evaluation pilot, noting that the State only received anecdotal feedback on its implementation and was not able to conduct an adequate outcomes assessment as a result of variability in LEA pilot activities. USDE attributed challenges with the evaluation pilot to the State's failure to set clear expectations concerning how the pilots should be run, and on leadership change over the grant period.

During the 2012-2013 school year, all 24 LEAs are participating in a statewide field test of the educator evaluation system in preparation for full implementation in the 2013-2014 school year. USDE notes that to be successful, Maryland must offer clear guidance and strong support to LEAs during the field test to ensure sufficient testing of the educator evaluation system, and to collect data to inform mid-course corrections as the LEAs prepare for full implementation in the 2013-2014 school year. **The State Superintendent should discuss the steps MSDE has taken to ensure that strong guidance and support is provided to the LEAs during the 2012-2013 statewide educator evaluation field test and that feedback is provided to the LEAs to facilitate mid-course correction during the 2013-2014 school year.**

### **State Board of Education Adopts Evaluation Regulations**

On June 26, 2012, the State board adopted regulations implementing MCEE's evaluation recommendations, as required by the Education Reform Act. Beginning with the 2013-2014 school year, the regulations require that (1) teacher and principal evaluations meet the minimum standards set forth in the regulations; and (2) student growth account for 50% of evaluations in all LEAs that signed the RTTT application.

The regulations also specify that if a local school board and the exclusive employee representative do not reach agreement on an evaluation system, the school board must adopt the Model State Performance Evaluation Criteria, 20% of which is based on State test scores for grades 3 to 8 content areas. In all evaluation systems, the student growth component will account for 50% and

must include multiple measures, such as aggregate class growth scores, student learning objectives, and a schoolwide performance index. The professional practice component will also count for 50% of an evaluation. For teachers, this component includes planning and preparation, classroom environment, instruction, and professional responsibility. For principals, the component will include the outcomes in the Maryland Instructional Leadership Framework and outcomes developed by the Interstate School Leaders and licensure Consortium. The regulations sunset on September 30, 2014, subject to review by the State board and re-promulgation of the regulations.

### **Due to the ESEA Flexibility Waiver, All LEAs Must Participate in the New Educator Evaluation System**

Though the regulations specify that all RTTT participating LEAs must comply with the new teacher/principal evaluation requirements, Maryland's ESEA flexibility waiver includes teacher and principal evaluations among the reforms on which flexibility is predicated. Because all LEAs are a party to the flexibility waiver, all must participate in the revised evaluation scheme. Regulation required all LEAs to identify an evaluation model or default to the State model by December 26, 2012. While all LEAs met the December deadline, the proposed model submitted by nine LEAs were rejected due to failure to comply with evaluation regulations: Baltimore, Carroll, Cecil, Charles, Frederick, Montgomery, St. Mary's, and Washington counties. LEAs may submit amended evaluation system plans to MSDE in May 2013. LEAs whose plans do not adhere to evaluation regulations at that time must adopt the State default model. **The State Superintendent should discuss how the nine rejected evaluation system proposals failed to comply with evaluation regulation and how MSDE will partner with these school systems to ensure that they submit evaluation systems that comply with State regulation for the May deadline.**

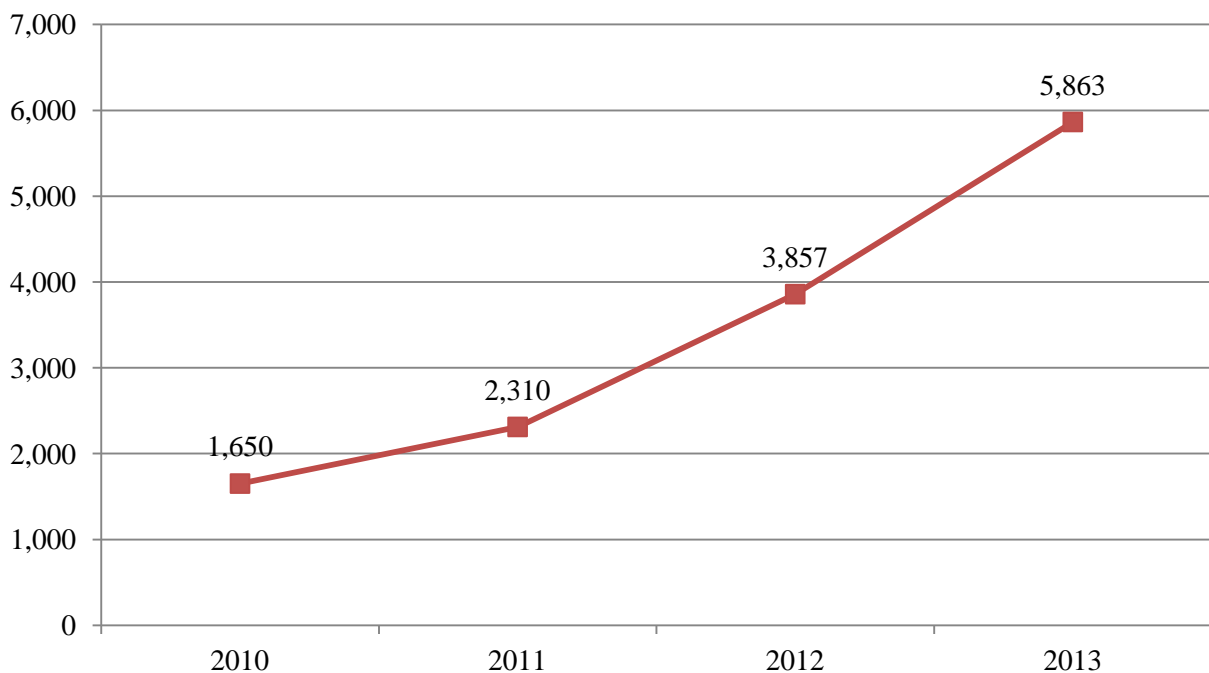
## **4. Teacher Quality Incentive Costs Mount**

Stipends and bonuses for eligible classroom teachers were established in 1999 to attract and retain quality teachers in Maryland public schools. The BRFA of 2009 (Chapter 487) scaled the program back by limiting the number of qualifying teachers, reducing stipends, and eliminating signing bonuses for teachers who graduated with college grade point averages of 3.5 or better. As a result of the change, teachers and other non-administrative school-based employees in schools identified as having comprehensive needs and who hold National Board Certification, receive a stipend from the State equal to the county grant up to \$2,000, while those in non-comprehensive needs schools receive stipends equal to the county grant up to \$1,000. In addition, teachers in comprehensive needs schools holding an Advanced Professional Certificate (APC) are entitled to \$1,500 stipends.

The number of teachers receiving funds through the program has risen dramatically in recent years, as the number of schools identified as having comprehensive needs under the NCLB increased. **Exhibit 13** shows the number of teachers receiving APC stipends between fiscal 2010 and 2013. Over this period, the number of stipends more than tripled, increasing from 1,650 in fiscal 2010 to 5,863 in fiscal 2013. **Exhibit 14** shows appropriations for the Quality Teacher Incentive Program (including stipends for National Board Certification and APC), which have increased from \$3.9 million in fiscal 2010 to \$7.7 million in fiscal 2012. The number of stipend eligible schools supported by the fiscal 2013 appropriation is based on the AYP for the 2010-2011 school year, when the number of schools with comprehensive needs reached 221, up from 136 in fiscal 2009 (2006-2007). Though the fiscal 2013 appropriation only includes \$5.2 million for the program, DBM reports that it has identified approximately \$7.0 million in unexpended general funds in the Nonpublic Placement and Out-of-county Living Arrangements programs that may be directed to the Quality Teacher Incentive Program to cover a program deficiency (funds that DLS is recommending be restricted in fiscal 2013 through the BRFA to promote transparency in budgeting).

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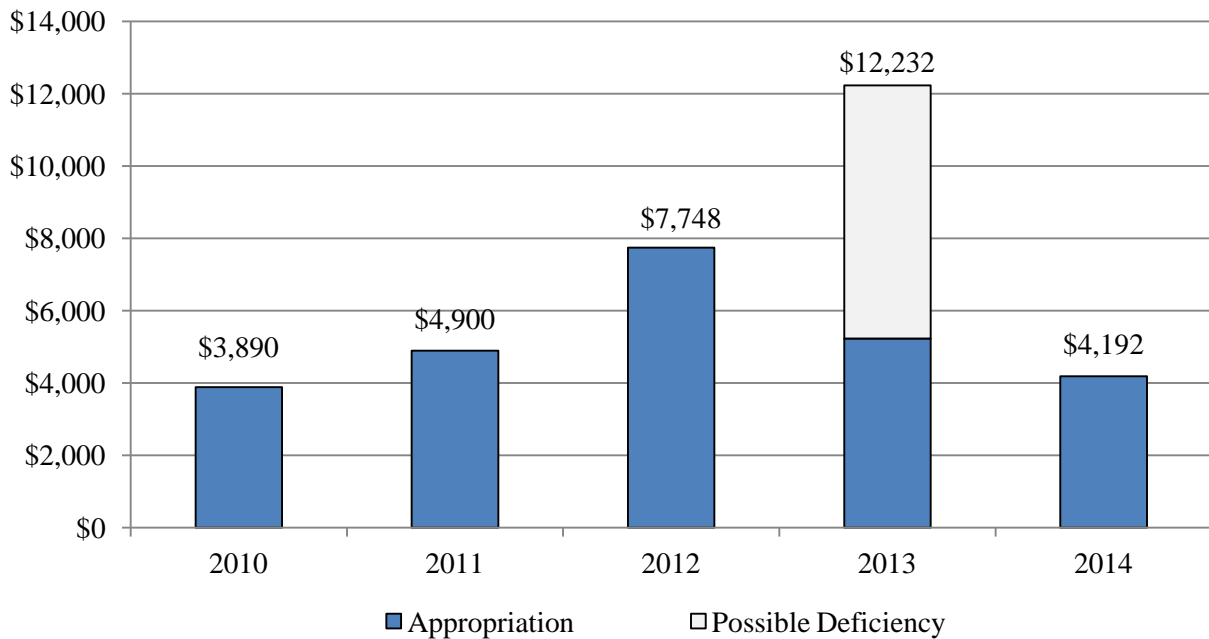
**Exhibit 13**  
**Advanced Professional Certificate Stipends**  
**Fiscal 2010-2013**



Source: Maryland State Department of Education

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**Exhibit 14**  
**Quality Teacher Incentive Appropriations**  
**Fiscal 2010-2014**



Source: Governor's Budget Books fiscal 2013-2014, Department of Budget and Management

In May of 2012, Maryland received an ESEA flexibility waiver. As a result, the AYP is no longer part of Maryland's accountability system and is replaced by the SPI. Based on their SPI, schools are placed into one of five performance strands. Schools in the lowest two strands will be identified as comprehensive needs schools, and their teachers will be eligible for APC stipends and larger National Board Certification stipends. In addition, consistent with its RTTT application, MSDE has proposed regulations that would allow "highly effective" teachers to receive APC without earning a Master's degree beginning in the 2016-2017 school year. This will put further pressure on the Quality Teacher Incentive budget.

In the 2010-2011 school year, the last year that the AYP was calculated, 221 schools were on the stipend-eligible list, compared to 136 schools in the 2006-2007 school year. Based on the 2011-2012 school year, using the SPI, there are 170 stipend-eligible schools. As shown in Exhibit 14, the fiscal 2014 allowance includes \$4.2 million for the program. MSDE reports that estimated program expenditures to support stipends for teachers in 170 schools is unknown at this time.

**The State Superintendent should discuss expenditure trends in the Teacher Quality Incentive Program and comment on whether research finds such programs to be effective in attracting and retaining teachers to underperforming and underresourced schools.**

## **5. Maintenance of Effort Law Revised**

Established in 1984, the MOE law requires each county government (including Baltimore City) to provide at least as much per pupil funding for the local school board as was provided the prior fiscal year. In 1996, the law was modified to allow a county to apply for a one-year waiver of the MOE requirement if the county's fiscal condition significantly impeded its ability to fund the full MOE amount. Counties first requested waivers beginning in 2009 due to the economic recession. This initial "testing of the waters" identified concerns with the MOE law, many of which were addressed by Chapter 6 of the 2012 regular session.

Chapter 6 of 2012 aligns the timeline for submitting waiver requests with the end of the annual legislative session, refines the existing MOE waiver process, establishes two new types of MOE waivers, and alters the penalty for not meeting the MOE requirement. The legislation also differentiates MOE expectations to recognize counties that have consistently demonstrated strong commitments to funding their schools. Two counties initially applied for fiscal 2013 waivers under the new rules, though both later withdrew their requests.

### **Three Waiver Options**

Prior to the enactment of Chapter 6, the factors considered by the State Board of Education in determining whether to approve an MOE waiver request were specified in regulation. Chapter 6 codifies and expands the factors to include consideration of a broad economic downturn, a county's history of exceeding its required MOE amount, and reductions in State aid to the county and its municipalities, requiring the State board to conduct a broader analysis when deciding whether to grant a waiver. The new law also clarifies that a one-year waiver does not reduce the required MOE amount in future fiscal years, though two new types of waivers, rebasing waivers, and recurring cost waivers, allow for ongoing reductions to a county's MOE amount.

A county that is granted a one-year MOE waiver and provides above-average support to the local school board (relative to its local wealth) may request a rebasing waiver, which requires a county to demonstrate ongoing problems with meeting MOE. If the State board grants a rebasing waiver, the law allows for a limited, ongoing decrease to the county's MOE amount which may encompass up to three years. The amount a county's MOE requirement may be reduced is tiered based on the county's education effort and may not exceed 3% in a single fiscal year. Rebasing waivers may not allow a county to provide funding below the State average education effort level, as established during the previous five years.

To encourage efficiencies and cooperation among county governments and school systems, the new law establishes a third waiver option that allows a county to reduce its ongoing MOE amount. To qualify, a county and the local school board must identify specific reductions to

recurring costs. The State board is required to grant the waiver when a county and the local school board have agreed to the reductions and the waiver amount. In certain circumstances, the local employee union must also agree.

### **Revised Penalty Assessment and Process**

The law altered the MOE penalty to allow the State to intercept a county's local income tax revenues in the amount by which the county is below MOE in the current year and forward the funds directly to the local school board if the county does not receive a waiver and does not fund the full MOE amount. This ensures annual MOE funding to the local school board, except in years in which the State board grants a waiver.

### **Adjusting MOE to Reflect Increases in County Wealth**

Beginning in fiscal 2015, Chapter 6 requires a county with an education effort below the five-year statewide average to increase the MOE payment to the local school board in years when its local wealth base is increasing. The required increase is the lesser of the increase in a county's per pupil wealth, the average statewide increase in per pupil local wealth, or 2.5%. This ensures an increase in the amount provided to the local school board concomitant with an increase in county wealth.

### **All Counties Meet Fiscal 2013 MOE Requirement**

Seven counties did not meet minimum MOE funding levels in fiscal 2012, and Chapter 6 required most of these counties to return to the higher MOE levels established in earlier years for their fiscal 2013 appropriations. **Exhibit 15** shows required fiscal 2013 MOE levels for each LEA, as well as the amount MSDE certified each LEA as providing. As shown in Exhibit 15, all 24 LEAs met the MOE in fiscal 2013. Seven LEAs exceeded the required fiscal 2013 MOE amount by \$1.0 million or more: Baltimore City, and Carroll, Charles, Garrett, Prince George's, St. Mary's, and Worcester counties. The required MOE level, however, does not necessarily reflect the year-to-year increase provided to the LEAs, as shown in **Exhibit 16**. After accounting for the required increase associated with retirement, counties showing no or limited fiscal 2013 increases over MOE such as Montgomery and Frederick counties, in fact, increased the LEAs' appropriation \$22.2 million and \$11.2 million, respectively, over fiscal 2012 funding levels.

Two counties that did not meet minimum MOE funding levels in fiscal 2012, Kent and Wicomico, applied to the State board for a waiver from the fiscal 2013 MOE requirement. Kent County requested a one-year waiver of \$860,171, 5.1% lower than the required MOE level, though the county commissioners ultimately approved a budget that satisfied the MOE requirement, and the waiver request was withdrawn. Wicomico County requested a waiver of \$6.9 million, 16% lower than the required amount calculated by the county, but the BRFA of 2012 passed in the First Special

**Exhibit 15**  
**Maintenance of Effort (MOE) Certification**  
**Fiscal 2013**

<b>Local Education Agency</b>	<b>MOE Level- Preliminary Calculation</b>	<b>Teachers' Retirement Requirement</b>	<b>Required MOE for Fiscal 2013</b>	<b>Certified Local Appropriation for MOE</b>	<b>Local Funding Provided Over MOE</b>
Allegany	\$27,904,190	\$1,487,742	\$29,391,932	\$29,391,956	\$24
Anne Arundel	573,085,928	11,493,684	584,579,612	584,579,700	88
Baltimore City	230,303,320	12,922,862	243,226,182	245,600,534	2,374,352
Baltimore	673,280,196	15,755,802	689,035,998	689,036,196	198
Calvert	107,435,153	2,835,938	110,271,091	110,284,424	13,333
Caroline	12,412,353	793,934	13,206,287	13,206,304	17
Carroll	161,001,454	4,005,782	165,007,236	167,790,400	2,783,164
Cecil	66,670,296	2,459,819	69,130,115	69,615,833	485,718
Charles	145,143,797	3,936,516	149,080,313	153,957,200	4,876,887
Dorchester	17,306,775	656,543	17,963,318	17,963,318	0
Frederick	221,654,351	5,893,461	227,547,812	227,547,824	12
Garrett	23,999,519	664,714	24,664,233	26,023,714	1,359,481
Harford	213,356,719	5,529,741	218,886,460	219,821,368	934,908
Howard	465,687,294	9,821,066	475,508,360	475,508,360	0
Kent	16,996,611	366,147	17,362,758	17,362,758	0
Montgomery	1,392,245,850	27,227,553	1,419,473,403	1,419,513,701	40,298
Prince George's	522,586,803	19,554,579	542,141,382	566,146,400	24,005,018
Queen Anne's	43,644,304	1,105,527	44,749,831	44,860,051	110,220
St. Mary's	78,407,156	2,485,697	80,892,853	83,067,459	2,174,606
Somerset	8,549,274	480,124	9,029,398	9,104,448	75,050
Talbot	34,331,551	628,456	34,960,007	34,960,007	0
Washington	89,857,481	3,094,113	92,951,594	92,951,603	9
Wicomico	36,403,000	2,173,593	38,576,593	39,173,593	597,000
Worcester	71,088,385	1,271,561	72,359,946	73,623,044	1,263,098
<b>Total</b>	<b>\$5,233,351,760</b>	<b>\$136,644,954</b>	<b>\$5,369,996,714</b>	<b>\$5,411,090,195</b>	<b>\$41,093,481</b>

Note: Section 18 of SB1301 specifies payments that counties must make to local school boards equal to the required LEA contribution for retirement in fiscal 2013 to 2016.

Source: Maryland State Department of Education



**Exhibit 16**  
**Local Appropriations to the Board of Education**  
**Fiscal 2012-2013**  
**(\$ in Thousands)**

<u>County</u>	<u>2012</u>	<u>2013</u>	<u>Increase</u>	<u>Retirement</u>	<u>Difference</u>
Allegany	\$28,240	\$29,392	\$1,152	\$1,488	-\$336
Anne Arundel	556,106	584,580	28,474	11,494	16,980
Baltimore City	242,110	252,814	10,703	12,923	-2,220
Baltimore	668,495	689,791	21,296	15,756	5,540
Calvert	109,060	110,284	1,224	2,836	-1,611
Caroline	12,299	13,206	907	794	113
Carroll	163,460	170,879	7,419	4,006	3,413
Cecil	67,156	69,616	2,460	2,460	0
Charles	145,621	153,957	8,337	3,937	4,400
Dorchester	16,482	17,963	1,481	657	825
Frederick	220,790	227,548	6,758	5,893	864
Garrett	24,859	26,024	1,165	665	500
Harford	214,292	219,821	5,530	5,530	0
Howard	467,617	482,385	14,768	9,821	4,947
Kent	16,128	17,363	1,235	366	868
Montgomery	1,370,101	1,419,514	49,412	27,228	22,185
Prince George's	617,515	633,069	15,555	19,555	-4,000
Queen Anne's	43,528	44,860	1,332	1,106	226
St. Mary's	77,046	85,698	8,652	2,486	6,166
Somerset	8,734	9,104	370	480	-110
Talbot	32,403	34,960	2,557	628	1,929
Washington	89,518	92,952	3,433	3,094	339
Wicomico	36,197	39,174	2,977	2,174	803
Worcester	71,940	73,623	412	1,272	412
<b>Total</b>	<b>\$5,299,698</b>	<b>\$5,498,577</b>	<b>\$198,879</b>	<b>\$136,645</b>	<b>\$62,234</b>

Source: Local School Budgets; Department of Legislative Services

Session included a provision allowing a county that maximizes its fiscal 2013 taxing authority to use the actual fiscal 2012 county school appropriation as the base for calculating the fiscal 2013 MOE amount. With county actions to alter tax rates, this provision lowered the required MOE amount for Wicomico County to \$36.4 million, and the county withdrew its waiver request.

Chapter 6, which was enacted more than a month before the BRFA of 2012, included a similar provision that based the required fiscal 2013 appropriation on the actual fiscal 2012 school appropriation for a county that had the maximum local income tax rate (3.2%) and did not make the MOE in fiscal 2012. Montgomery and Queen Anne's counties utilized this provision to lower their required fiscal 2013 MOE appropriation. Chapter 6 also authorized a county with a locally imposed cap on its property taxes to exceed the cap in order to fund education. For fiscal 2013, Talbot County raised its property tax rate by 4.3 cents per \$100 of assessed value. Under the authority of Chapter 6, 60% of the increase, or 2.6 cents, will fund education. The BRFA of 2012 also requires local school boards to make payments toward teachers' retirement costs and increases required county (and Baltimore City) school appropriations to account for these additional costs. **The State Superintendent should comment on the impact the MOE law is having on local support for education.**

## ***Recommended Actions***

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1. Add the following language:

Provided that the Maryland State Department of Education shall notify the budget committees of any intent to transfer funds from program R00A02 Aid to Education to any other budgetary unit. The budget committees shall have 45 days to review and comment on the planned transfer prior to its effect.

**Explanation:** The Maryland State Department of Education (MSDE) should not transfer any funds from Aid to Education until the transfer is reviewed by the budget committees.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on any transfer of funds from R00A02	MSDE	45 days prior to transfer

2. Add the following language to the general fund appropriation:

Further provided that \$2,000,000 of this appropriation made for the purpose of the Early College Innovation Fund may not be expended until the Maryland State Department of Education (MSDE) submits a report to the budget committees identifying the standards that will be used to award competitive grants to support early college partnerships and how MSDE will evaluate the impact of those funds. The report should include a list of projects that are proposed to receive funding in the grant's first year. The report shall be submitted by August 1, 2013, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

**Explanation:** The language restricts \$2,000,000 in general funds for the Early College Innovation Fund until MSDE submits a report identifying the standards that will be used to award competitive grants, how MSDE will evaluate the impact of the grants, and a list of projects proposed to receive funding. The report is to be submitted by August 1, 2013.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on the Early College Innovation Fund	MSDE	August 1, 2013

*R00A02 – MSDE – Aid to Education*

**Amount  
Reduction**

3. Reduce funds for the Digital Learning Innovation Fund to limit support for the program to \$1 million in its first year of implementation. \$ 4,000,000 GF
4. Add the following language to the general fund appropriation:

. provided that \$1,000,000 of this appropriation made for the purpose of the Digital Learning Innovation Fund may not be expended until the Maryland State Department of Education (MSDE) submits a report to the budget committees describing the standards that will be used to allocate funds among projects that accelerate local school system's conversion to digital learning and how MSDE will evaluate the impact of those funds. The report should include a list of projects that are proposed to receive funding in the grant's first year. The report shall be submitted by August 1, 2013, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

**Explanation:** The language restricts \$1,000,000 in general funds for the Digital Learning Innovation Fund until MSDE submits a report describing the standards that will be used to allocate funds among projects, how MSDE will evaluate the impact of the grants, and a list of projects proposed to receive funding. The report is to be submitted by August 1, 2013.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on the Digital Learning Innovation Fund	MSDE	August 1, 2013

5. Add the following language to the general fund appropriation:

. provided that \$1,800,000 of this appropriation made for the purpose of enhancing the Maryland Meals for Achievement Program shall be distributed to local education agencies based on the proportion of the State's free and reduced price meal enrollment as of September 30, 2012, enrolled in each respective local education agency. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

**Explanation:** The Maryland Meals for Achievement program provides general funds to support free classroom breakfast to all students at participating schools regardless of income. Under State law, any school that participates in the federal School Breakfast Program and has

*R00A02 – MSDE – Aid to Education*

at least 40% Free and Reduced Priced Meal (FRPM) enrollment can apply to participate. The fiscal 2014 allowance includes an additional \$1.8 million appropriation for the program, bringing total funds to \$5.2 million. The language requires that the fiscal 2014 enhancement be distributed to local education agencies (LEA) according to the proportion of the State's FRPM population enrolled in each LEA.

	<b><u>Amount Reduction</u></b>	
6. Reduce funds for the student transportation formula to set inflation at 0% to reflect the Consumer Price Index for private student transportation in the second preceding year. The reduction allows for enrollment growth in the formula.	2,280,649	GF
7. Add the following language to the general fund appropriation:  <u>. provided that \$1,040,000 of this appropriation made for the purpose of National Board Certification fees is contingent on the enactment of legislation reauthorizing the program.</u>		

**Explanation:** The language makes \$1 million in general funds appropriated for National Board Certification fees contingent on the enactment of legislation reauthorizing the program.

<b>Total General Fund Reductions</b>	<b>\$ 6,280,649</b>
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## *Updates*

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### **1. Report Recommends Against Establishing Baltimore County School Transfer Pilot**

The 2012 *Joint Chairmen's Report* requested that MSDE and Baltimore County Public Schools (BCPS) study the feasibility of establishing a school transfer pilot program in BCPS.

Existing BCPS policy allows a parent to request special permission to transfer a student in nine circumstances:

- 1. Terminal Grade:** Allows students to complete Grades 4, 7, or 11 if they move to an address out of the area within the county.
- 2. Program of Study:** Allows students to pursue a program not available in their zoned school.
- 3. Medical/Student Adjustment:** Allows students with a medical or emotional condition to attend a school outside their attendance area with a demonstrated hardship.
- 4. Change of Residence:** Allows students who have moved from one attendance area to another within Baltimore County to complete the school year at the original school.
- 5. Sibling:** Allows siblings in the same household to attend the requested school.
- 6. Family Conditions:** Allows students whose parents document a hardship necessitating residence with another family in Baltimore County to attend the requested school.
- 7. Child of an Employee:** Allows the child of an employee to attend the requested school.
- 8. Child Care:** Allows students to attend the requested school for child care purposes.
- 9. Title I Transfer:** Allows students eligible for a Title I Public School Transfer Option to attend the designated transfer school.

According to the report, total BCPS full-time equivalent enrollment at the elementary level now exceeds all available State-rated capacity by 103.6%, while enrollment is 79.2% at the middle school level and 89.7% at the high school level. The report notes that school enrollment fluctuates throughout the year as students move to and from a school's attendance area, transfer to or from private school, or qualify for special transfer. As a result, a school's enrollment can fluctuate between under- and overcapacity quickly.

The report finds no other local jurisdictions in Maryland that offer unconditional school choice, though a number of larger Maryland school systems have transfer policies similar to BCPS's. BCPS and MSDE conclude that Baltimore City's student choice process for middle and high school

students shares similarities with BCPS’s magnet school policy, which allows students who meet the eligibility requirements for magnet programs to attend a school housing the program.

Enacting an extensive school choice policy would likely result in increased BCPS enrollment from residents that previously attended private schools, as more than 20,000 Baltimore County students are currently estimated to attend private grade K-12 schools. An increase in public school enrollment would require additional State and county funding in the following year and would increase the county’s required MOE level to BCPS. A significant increase in transfer volume would also add to staff workload and could result in greater transportation costs. Finally, Chapter 494 of 2012 will raise the age of compulsory school attendance to 18 by the 2017-2018 school year, which is expected to increase high school enrollment in the county.

BCPS and MSDE conclude that due to sudden unplanned school capacity pressures, required local funding increases, and additional workloads possible as a result of the redistribution of children through a school choice process, establishing a school transfer pilot program is not recommended.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets MSDE – Aid to Education (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2012</b>					
Legislative Appropriation	\$5,480,242	\$218,937	\$755,306	\$188	\$6,454,674
Deficiency Appropriation	127,993	-123,659	-1,947	0	2,387
Budget Amendments	-8,820	15,858	37,618	0	44,655
Reversions and Cancellations	-3,601	-818	-34,235	-188	-38,843
<b>Actual</b>					
<b>Expenditures</b>	<b>\$5,595,815</b>	<b>\$110,317</b>	<b>\$756,741</b>	<b>\$0</b>	<b>\$6,462,874</b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$5,435,181	\$430,642	\$790,551	\$175	\$6,656,549
Budget Amendments	-100	9,126	23	0	9,049
<b>Working</b>					
<b>Appropriation</b>	<b>\$5,435,081</b>	<b>\$439,768</b>	<b>\$790,574</b>	<b>\$175</b>	<b>\$6,665,598</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2012**

The fiscal 2012 budget closed at \$6.5 billion, which was \$8.2 million more than the legislative appropriation.

### **Deficiencies**

Deficiencies totaled \$2.4 million. A general fund deficiency of \$123.7 million replaced VLT special funds that did not materialize. Other general fund deficiencies include \$2.4 million to support all eligible teachers in the Teacher Quality Incentives Program, and a \$4.6 million deficiency to replace federal TANF funds in the Healthy Families Program due to a shortfall of TANF funds available to the State. Finally, a \$2.6 million federal fund deficiency replaced general funds with federal Education Jobs funds.

### **Budget Amendments**

General funds decreased \$8.8 million to reflect funds restricted in the fiscal 2012 budget bill in the Foundation program for the Disparity Grant program contingent on the enactment of Chapter 571 of 2011, Alcoholic Beverages – Supplementary Appropriation. Special funds increase \$15.9 million to reflect administrative fees paid by the local boards of education for the use of SRPS as a result of the BRFA of 2011. Federal funds increase \$37.6 million due to an \$83,854 increase in the Language Assistance program available through the English Language Acquisition Grants program, a \$1.2 million increase in support for Public Libraries to recognize unobligated carryover funds from fiscal 2011 through the Grants to the States program, a net increase of \$5.4 million in the Food Services Program available from the federal School Breakfast Program, Child and Adult Care Food Program, and the National School Lunch program to cover the cost of meals for eligible children due to changes from prior year participation data, reimbursement rates, and preliminary current year participation reports, a \$16.0 million increase in the Assistance to States for Educating Students with Disabilities program from a grant under the School Improvement Grants, Recovery Act to improve persistently low-achieving schools available due to unobligated carryover funds, and a \$14.9 million increase in the Educationally Deprived Children program due to the delay of carryover applications for Baltimore City and Prince George’s County which resulted in higher than anticipated 2012 carryover funds.

### **Reversions and Cancellations**

Reversions and cancellations totaled \$38.8 million.

General fund reversions totaled \$3.6 million. Of this total, \$1.9 million was reverted from the Formula Programs for Special Populations due to lower than anticipated enrollments in Out-of-county Living Arrangements, \$1.1 million was reverted from nonpublic placement and medical assistance funds due to the appropriation exceeding program demand, and \$451,428 in Aid for Local Employee Fringe Benefits was reverted because the amount billed by the Montgomery

### ***R00A02 – MSDE – Aid to Education***

County Librarian Pension System was less than budgeted. Finally, \$93,588 was reverted across various programs.

Special fund cancellations totaled \$818,302. Of this total, \$413,358 was cancelled from the Teacher Development program due to revenue underattainment as a result of lower candidate fees, \$248,191 was cancelled from the Children at Risk program to adjust for reduced enrollment, and \$156,753 was cancelled from Aid to Local Employee Fringe Benefits as the appropriation for pension administration fees collected from the local boards of education exceeded actual payments due to SRA.

Federal fund cancellations totaled \$34.2 million. Cancellations include \$15.7 million due to estimates exceeding the actual amount of claims paid in the Food Services Program, \$7.7 million in the Children at Risk program and \$1.6 million in Career and Technology Education due to various federal formula grants that are disbursed over multiple State fiscal years and will be carried forward into fiscal 2013, and \$6.0 million in Innovative Programs and School Technology due to the end of the federal programs including GEAR UP, charter schools, and Title IID Enhancing Education through Technology. Other federal fund cancellations include \$1.6 million in the Public Libraries program because the appropriation for Library Services and Technology Act grant funds exceeded actual library subgrants, \$1.1 million in the Science and Mathematics Education Initiative due to an overestimation of the federal grant award for the Title IIB Mathematics and Science Partnership, \$216,045 in federal IDEA funding from State Assistance for Students with Disabilities due to the timing of payments at the close of the state fiscal year, \$188,436 in Teacher Development funds that will be carried into fiscal 2013 due to lower than expected expenditures, and \$100,966 from the Gifted and Talented program due to an overestimation of the federal funding available for advanced placement test fees.

Reimbursable funds of \$188,300 for the Department of Health and Mental Hygiene's Sexual Abuse Prevention program was cancelled due to the termination of the program's memorandum of understanding.

## **Fiscal 2013**

The fiscal 2013 working appropriation is \$9.0 million above the legislative appropriation. General funds decreased \$100,000 in the Foundation program due to the transfer of general funds from the Aid to Education budget to the Division of Business Services in the MSDE – Headquarters budget to support two contractual employees to review and closeout Education Jobs Grant expenditures at the LEAs. Special funds increased \$9.1 million in the Foundation program to reflect the transfer of \$3.0 million in VLT revenue from the Small, Minority and Women-Owned Business Investment Account and the Problem Gambling Fund authorized by the fiscal 2013 budget bill and a \$6.1 million increase in the special fund appropriation to backfill general funds based on projected VLT revenue growth. Federal funds increase \$22,969 overall as a result of an unobligated federal carryforward balance from the Education Jobs funds program, and the transfer of \$137,031 in IDEA funds to the Juvenile Services Education program in the MSDE – Headquarters budget to provide education and counseling services to students in such facilities.

**Object/Fund Difference Report  
MSDE – Aid to Education**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
01 Salaries and Wages	\$ 95,823	\$ 0	\$ 0	\$ 0	0.0%
02 Technical and Spec. Fees	90,811	0	0	0	0.0%
04 Travel	334	0	0	0	0.0%
08 Contractual Services	148,546	0	0	0	0.0%
09 Supplies and Materials	290	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	6,462,537,730	6,665,598,195	6,856,776,899	191,178,704	2.9%
<b>Total Objects</b>	<b>\$ 6,462,873,534</b>	<b>\$ 6,665,598,195</b>	<b>\$ 6,856,776,899</b>	<b>\$ 191,178,704</b>	<b>2.9%</b>
<b>Funds</b>					
01 General Fund	\$ 5,595,814,702	\$ 5,435,080,990	\$ 5,752,375,084	\$ 317,294,094	5.8%
03 Special Fund	110,317,415	439,768,026	357,939,401	-81,828,625	-18.6%
05 Federal Fund	756,741,417	790,574,179	746,342,414	-44,231,765	-5.6%
09 Reimbursable Fund	0	175,000	120,000	-55,000	-31.4%
<b>Total Funds</b>	<b>\$ 6,462,873,534</b>	<b>\$ 6,665,598,195</b>	<b>\$ 6,856,776,899</b>	<b>\$ 191,178,704</b>	<b>2.9%</b>

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

*R00A02 – MSDE – Aid to Education*

**Fiscal Summary**  
**MSDE – Aid to Education**

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 State Share of Foundation Program	\$ 2,823,888,914	\$ 2,986,873,198	\$ 3,035,862,650	\$ 48,989,452	1.6%
02 Compensatory Education	1,083,838,457	1,146,261,309	1,195,620,119	49,358,810	4.3%
03 Aid for Local Employee Fringe Benefits	864,787,141	785,438,787	886,793,177	101,354,390	12.9%
04 Children at Risk	29,363,565	30,424,225	31,223,407	799,182	2.6%
05 Formula Programs for Specific Populations	3,819,380	5,410,988	3,843,426	-1,567,562	-29.0%
07 Students with Disabilities	386,318,998	390,781,704	389,329,258	-1,452,446	-0.4%
08 State Assistance for Students with Disabilities	217,242,478	246,565,182	202,948,035	-43,617,147	-17.7%
09 Gifted and Talented	1,020,012	1,050,000	916,850	-133,150	-12.7%
12 Educationally Deprived Children	203,672,578	214,963,377	200,625,196	-14,338,181	-6.7%
13 Innovative Programs	11,771,912	16,267,114	15,176,000	-1,091,114	-6.7%
15 Language Assistance	9,226,101	9,500,803	9,500,808	5	0%
18 Career and Technology Education	14,170,726	14,411,709	13,164,126	-1,247,583	-8.7%
24 Limited English Proficient	162,691,035	177,405,509	193,427,660	16,022,151	9.0%
25 Guaranteed Tax Base	50,063,544	44,205,671	52,278,887	8,073,216	18.3%
27 Food Services Program	257,709,700	250,440,921	276,397,293	25,956,372	10.4%
31 Public Libraries	33,932,578	34,429,606	34,614,134	184,528	0.5%
32 State Library Network	15,803,107	16,058,820	16,196,779	137,959	0.9%
39 Transportation	248,235,117	251,328,845	256,768,501	5,439,656	2.2%
52 Science and Mathematics Education Initiative	4,030,599	3,836,230	3,618,593	-217,637	-5.7%
53 School Technology	148,425	0	0	0	0%
55 Teacher Development	41,139,167	39,944,197	38,472,000	-1,472,197	-3.7%
<b>Total Expenditures</b>	<b>\$ 6,462,873,534</b>	<b>\$ 6,665,598,195</b>	<b>\$ 6,856,776,899</b>	<b>\$ 191,178,704</b>	<b>2.9%</b>
General Fund	\$ 5,595,814,702	\$ 5,435,080,990	\$ 5,752,375,084	\$ 317,294,094	5.8%
Special Fund	110,317,415	439,768,026	357,939,401	-81,828,625	-18.6%
Federal Fund	756,741,417	790,574,179	746,342,414	-44,231,765	-5.6%
<b>Total Appropriations</b>	<b>\$ 6,462,873,534</b>	<b>\$ 6,665,423,195</b>	<b>\$ 6,856,656,899</b>	<b>\$ 191,233,704</b>	<b>2.9%</b>
Reimbursable Fund	\$ 0	\$ 175,000	\$ 120,000	-\$ 55,000	-31.4%
<b>Total Funds</b>	<b>\$ 6,462,873,534</b>	<b>\$ 6,665,598,195</b>	<b>\$ 6,856,776,899</b>	<b>\$ 191,178,704</b>	<b>2.9%</b>

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.